

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**THE CITY OF GRAPEVINE, TEXAS**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**Prepared by: Finance Department**



## **INTRODUCTORY SECTION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007  
CITY OF GRAPEVINE, TEXAS**

**HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT**

**William D. Tate  
MAYOR**

**CITY COUNCIL**

**Ted R. Ware**

**Darlene Freed**

**Shane Wilbanks**

**Mike Lease**

**Sharron Spencer**

**Roy Stewart**

**Bruno Rumbelow  
CITY MANAGER**

**Jennifer Hibbs  
ASSISTANT CITY MANAGER**

**Harold (Tommy) Hardy  
ASSISTANT CITY MANAGER**

**William A. Gaither  
DIRECTOR OF ADMINISTRATIVE SERVICES**



**CITY OF GRAPEVINE, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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**CITY OF GRAPEVINE, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

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March 17, 2008

To the Honorable Mayor,  
Members of the City Council, and  
Citizens of the City of Grapevine, Texas

The Department of Administrative Services is pleased to submit the Comprehensive Annual Report for the City of Grapevine. The City's Management assumes responsibility for both the accuracy of the data and the completeness and fairness of the presentation, based upon a comprehensive framework of internal control that it has established for the purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects. The data is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City government. To enable the reader to gain an understanding of the City's financial activities, all necessary disclosures have been included.

This report fulfills the requirement of state law which requires the City file to the State an annual financial statement and audit opinion within 180 days after the last day of the municipality's fiscal year.

Deloitte and Touche, LLP have issued an unqualified ("clean") opinion on the City of Grapevine's financial statements for the year ended September 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

The Management and Discussion Analysis (MD&A) is a narrative introduction, overview, and analysis to accompany the basic financial statements. The MD&A can be found immediately following the independent auditors' report. The letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit can be found in the Federal Awards Section of this report.

### **Profile of the City of Grapevine**

Incorporated in February 1907, Grapevine is a home rule city operating under a council-manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a mayor and a six-member council. The City Manager is appointed by the City Council and is responsible for carrying out policies and for the daily management of the City. Council members serve three-year staggered terms, with two council members elected each year. The mayor is elected to serve a three-year term.



The City provides a full range of services, including police and fire protection, emergency ambulance service, sanitation, planning and zoning, public improvements, water and sewer services, culture and recreation and general administrative services.

Component units are legally separate organizations that a primary government must include as a part of its financial reporting entity. The City has included financial statements for five component units because of their fiscal dependency on the primary government that are classified as blended component units. The Tax Reinvestment Zones Numbers One and Two (the "TIFS"). Three new blended component units were established during fiscal year 2007. The Crime Control and Protection District "Crime District" was established to account for the accumulation and use of sales tax proceeds designated for crime reduction programs. The Grapevine 4B Economic Development Corporation consists of two funds. The 4B Transit Fund which accounts for local sales tax used to fund Grapevine's participation in the commuter rail development project with the Fort Worth Transit Authority (The "T"). The 4B Economic Development Fund accounts for the local sales tax used to stimulate the local economy, development, and redevelopment.

The Heritage Foundation is a legally separate organization that is a discretely presented component unit of the City. The Foundation was organized to promote the preservation, protection and economic development of Grapevine's physical and cultural heritage. Additional information on all six component units can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City of Grapevine's financial planning and control. The budget is prepared by Fund, and department (e.g. police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need approval from the governing council.

The City is located in the center of the Dallas/Fort Worth metropolitan complex, 21 miles northwest of downtown Dallas and 19 miles northeast of downtown Fort Worth. Three major freeways, State Hwy 114, State Hwy 121, and Interstate Hwy 635, intersect in the heart of Grapevine, providing excellent access to Dallas, Fort Worth and the areas shopping, entertainment and employment centers. The City is located in Northeast Tarrant County and is home to the Dallas/Fort Worth International Airport. Two-thirds of the airport, including all terminal buildings, is located within Grapevine city limits. The City is approximately 35 square miles and serves a population of 49,635.

### **Local Economy**

Tourism is a major industry for the City, with over 150 dining establishments, 20 lodging facilities with over 5,000 rooms and over 600,000 square feet of meeting and convention space. The Great Wolf Lodge Phase I opened December 2007 and Phase II has started construction. The City Council and TIF #2 Board of Directors anticipates an agreement with the Gaylord Texas Resort and Convention Center to construct an expansion to the existing resort having a minimum of 2,000 rooms, an expansion of the convention center so the resort will have at least 600,000 square feet of meeting and pre-function space, approximately 750-1,100 additional parking spaces, additional swimming pool and other additional amenities.

The City has matured and is close to build out. Therefore, Council and staff are focused on increasing non-residential economic growth and have established a team to concentrate efforts on economic development. Incentive strategies for business prospects have been developed to encourage prospective business to locate and expand in the City. The City has entered into Incentive Programs with Henry Schein, Inc., and Great Wolf Resorts, Inc. Additional information is provided in the notes to the financial statements concerning these agreements.

Transportation is a concern for the area and plans have been developed to reconstruct the highway interchanges for State Hwy 114, State Hwy 121, and Interstate 635. This project is called “The Funnel”, and city staff is monitoring its progress and legislative developments to ensure the outcome of this project will be beneficial to the City.

Heavy rains during early summer 2007 resulted in the majority of the City’s lake-area parks being underwater, and all but one boat ramp was closed for the majority of the summer recreation season. The Grapevine Vineyards Campground and other lake properties were closed for most of the summer season. Repairs and restoration began at the end of fiscal year 2007 and will continue into fiscal year 2008.

### **Long-term Financial Planning**

Many cities, including Grapevine, are faced with the problems of providing services to their citizens when costs (electricity, fuel, insurance, personnel, etc.) are rising at a more rapid rate than revenues. For several years, Grapevine was forced to use accumulated reserves in fund balance to meet these challenges. During fiscal year 2007 the City implemented a strategic plan to increase the revenue stream while at the same time prudently controlling general fund expenditures and restoring the general fund balance. The three goals of the Council during FY 2007 were: 1) Improve long-range financial health of general fund, 2) Improve employee compensation plan, and 3) Stabilize the City’s economic base.

During FY 2007, the citizens of Grapevine approved the creation of a Crime Control and Prevention District, and a 4B Economic Development Corporation, both financed by an increase in the local sales tax option. Also the City made changes resulting in long-term, structural costs reductions of \$3.8 million. While reducing expenditures the City was still able to increase the pay ranges of the employees with a 4.0% across the board market adjustment to maintain salaries at 50<sup>th</sup> percentile of the local employment market. As a result of the enhanced revenue and expenditure environments, the City is in a stable financial position to address the significant financial challenges that lie ahead.

Due to the establishment of the Crime Control and Prevention District, the General fund will transfer to the Quality of Life Fund a total of five million dollars in FY 2007 and FY 2008 to fund the improvements to the Oak Grove baseball park. The 4B Transit Fund is estimated to fund eleven million dollars to the Fort Worth Transit Authority (The “T”) for the development of a commuter rail service in Dallas—Fort Worth metropolitan area.

With the opening of the Great Wolf Resorts and the continued high occupancy rate of the City’s hotels, the City anticipates the Convention and Visitors Bureau (Hotel Occupancy Tax—Special Revenue Fund) to be financially healthy and to continue to support our hotel industry with expanded marketing programs and local events. The Convention and Visitors Bureau (CVB) plans to design a new CVB headquarters facility, which will be constructed in downtown Grapevine. The building will be funded by debt issuance paid for with hotel occupancy tax revenues from the CVB fund.

The City will continue the repair and maintenance of the Vineyards Campground and other Lake Parks properties and is working in cooperation with the Federal Emergency Management Agency (FEMA) to secure federal reimbursement for a portion of the cleanup efforts.

The City increased the General Fund’s unreserved fund balance from \$5,904 (FY 2006) to \$7,562 (FY 2007) a 28% increase. The City has recognized the challenges of finding revenues, maintaining costs, and increasing the General Fund’s unreserved fund balance. Implementing a multi year financial plan and economic development plan in FY 2007 provided the needed tools to assist management to rebuild its General Fund unreserved fund balance.

## **Major Initiatives**

Great Wolf Resorts, Phase I opened December, 2007. Phase I consists of 404 hotel rooms, an indoor water park, and a convention center. Phase II of the Project will consist of the construction of an additional 200 hotel rooms, an expansion of both the indoor water park, and a convention center. Phase II construction began in fiscal year 2008.

A mixed-use development project was started in the last quarter of 2006. The development is located at the southeast corner of Dallas Road and Main Street and has 250 living spaces and 20,000 square feet of retail and office space. The building is five stories and has a parking garage. The development was completed in the winter of 2008.

The City of Grapevine and the City of Euless have completed the widening of Glade Road to a four lane roadway for the section from SH121 to SH 360. The project completion was delayed until winter of fiscal year 2008 due to heavy rains during the summer.

## **Awards and Acknowledgements**

The City Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City. The City Charter specifies that independent accountants selected by the City Council conduct such audits. Deloitte & Touche, LLP was selected by the City Council to conduct this year's audit. The independent auditor's report on the basic financial statements is included in the financial section of this report.

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report ("CAFR") for the fiscal year ended September 30, 2006. This was the 20th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

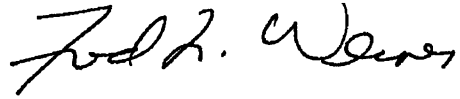
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Grapevine has also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended September 30, 2006. This is the 20th consecutive year that the City has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged proficient in several categories including policy documentation, financial planning, and organization.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

We would like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and professional manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Fred L. Werner". The signature is fluid and cursive, with the first name "Fred" and last name "Werner" clearly distinguishable.

Fred L. Werner,  
Managing Director of Financial Services

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Grapevine  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Oliver S. Cox*

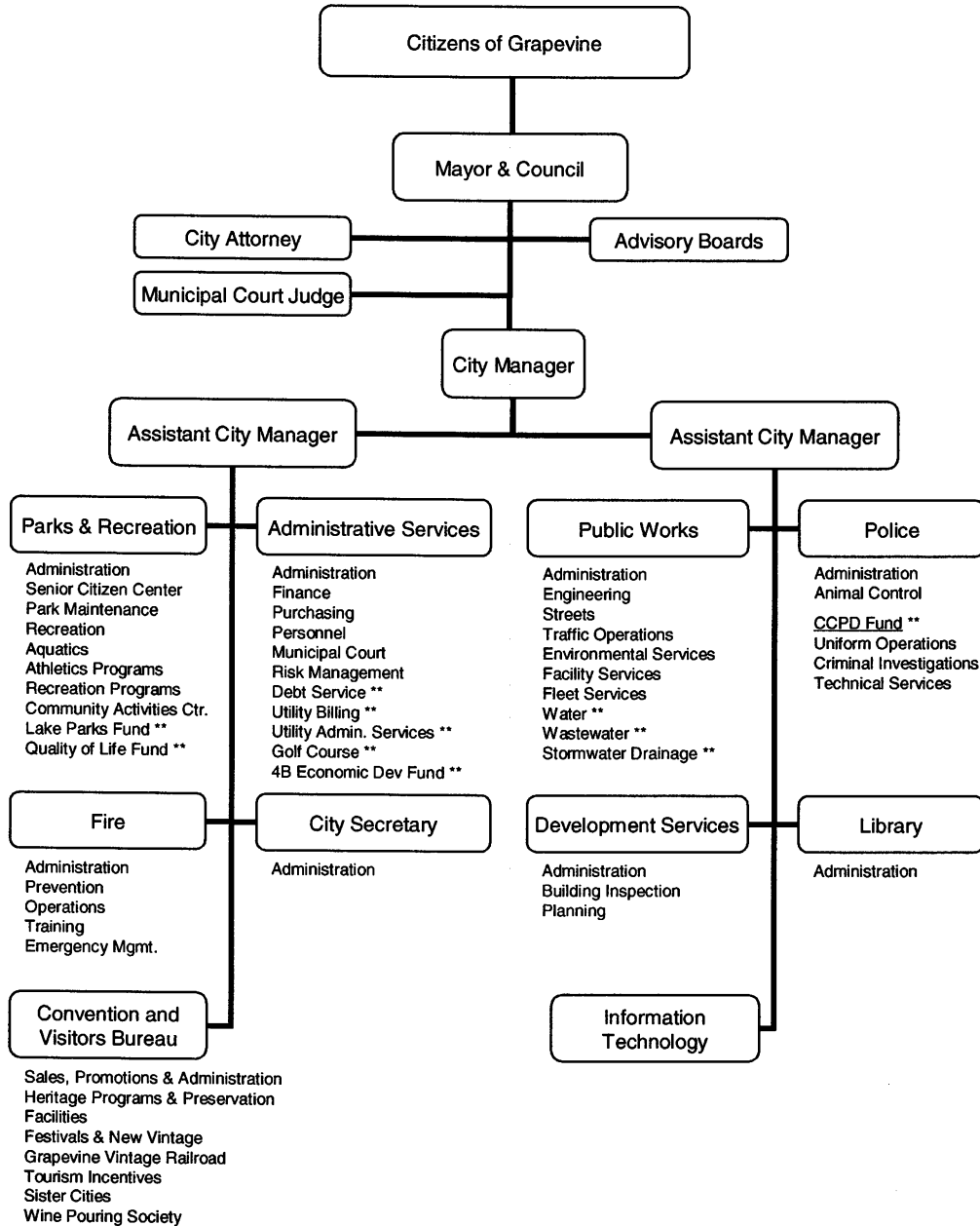
President

*Jeffrey R. Emer*

Executive Director



# City of Grapevine Organization Chart



\*\* Administered through General Fund departments; Located in other funds

**CITY OF GRAPEVINE, TEXAS**  
**ADMINISTRATIVE OFFICIALS**

**Bruno Rumbelow**  
*City Manager*

**Jennifer Hibbs**  
*Assistant City Manager*

**Harold (Tommy) Hardy**  
*Assistant City Manager*

**John F. Boyle, Jr.**  
*City Attorney*

**Linda Huff**  
*City Secretary*

**William A. Gaither**  
*Director of Administrative Services*

**David Florence**  
*Municipal Court Judge*

**Scott Williams**  
*Director of Development Services*

**Matthew A. Singleton**  
*Director of Public Works*

**Edward Salame**  
*Chief of Police*

**Steve Bass**  
*Fire Chief*

**Douglas M. Evans**  
*Director of Parks and Recreation*

**Janis Roberson**  
*Library Director*

**P. W. McCallum**  
*Executive Director, Convention & Visitors Bureau*

**James M. Smith**  
*Director of Golf*

**Fred L. Werner**  
*Managing Director of Financial Services*

**Carolyn Van Duzee**  
*Personnel Director*

**Gary W. Livingston**  
*Budget Manager*

**Charles Dent**  
*Purchasing Agent*

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

The Honorable Members of City Council  
City of Grapevine, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregated remaining fund information of the City of Grapevine, Texas ("City"), as of and for the year ended September 30, 2007, which collectively comprise the City of Grapevine's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grapevine's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Heritage Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregated remaining fund information of the City of Grapevine as of September 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Schedule of Pension Funding Progress -- TMRS Plan, the General Fund Budgetary Comparison Schedule, and the Hotel Occupancy Tax Fund Budgetary Comparison Schedule are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City of Grapevine's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. Our audit was conducted for the purpose of forming an opinion on the City's respective financial statements, which collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial



statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. These financial statements and schedules are the responsibility of the management of the City of Grapevine. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and the statistical data listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the City. This supplementary is the responsibility of the City of Grapevine. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2008 on our consideration of the City of Grapevine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over our financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Deloitte & Touche LLP*

March 17, 2008

## CITY OF GRAPEVINE, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2007 (Unaudited)

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As management of the City of Grapevine (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2007.

**All amounts, unless otherwise indicated, are expressed in thousands of dollars.**

#### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$166,844 (Net assets). Of this amount, \$32,580 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$7,562 or 18.3 % of total general fund expenditures.
- Sales tax revenues increased \$11,834 from the previous year due to the City election to adopt the additional one cent local sales tax option. The adoption of the additional one cent sales tax resulted in the creation of the Grapevine Crime Control and Prevention District (1/2 cent), and the Grapevine 4B Economic Development Corporation (1/2 cent). The first remittance was received June, 2007.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Grapevine's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements**—The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, culture and



recreation, and public works. The business-type activities of the City include water and sewer, drainage systems, and the golf course.

The government-wide financial statements include not only the City itself (known as the primary government), but also include the Heritage Foundation and the Tax Reinvestment Zones Numbers One and Two, which are legally separate entities. A blended presentation has been used to report the financial information for the Tax Reinvestment Zones Numbers One and Two component units. Three new blended component units were established April 1, 2007. The Crime Control and Protection District (Crime District) was established to account for the accumulation and use of sales tax proceeds designated for crime reduction programs. The Grapevine 4B Economic Development Corporation consists of two funds. The 4B Transit Fund which accounts for local sales tax used to fund Grapevine's participation in the commuter rail development project with the Fort Worth Transit Authority (The "T"). The 4B Economic Development Fund accounts for the local sales tax used to stimulate the local economy, development, and redevelopment. The Heritage Foundation is a discretely presented component unit and is presented as a separate column on the government-wide financial statements.

**Fund financial statements**—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The fund financial statements for governmental funds, proprietary funds, and fiduciary funds can be found in the financial section of this report.

**Governmental funds**—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Special Revenue—Hotel Occupancy Tax, Debt Service Fund, Debt Service Fund—Tax Reinvestment Zone Number One (TIF #1), and the Capital Projects Fund—Streets, all of which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary funds**—There are two types of Proprietary funds, Enterprise Funds and Internal Service Funds. The City maintains one type of proprietary funds, the enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and Lake Enterprise. The City has no Internal Service Funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water and Sewer Fund, and the Lake Enterprise Fund (golf course) which are both major funds.

**Fiduciary funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds. The Agency Fund is one of the City's fiduciary funds. The Agency Fund represents funds held in an agency capacity for the Industrial Development Corporation and held in an agency capacity for the Police Department entitled "Police Department Case Settlement". The second fiduciary fund is the Grapevine Health Reimbursement Account (HRA) a trust account. See Note 1 for additional information pertaining to Fiduciary Funds.

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found within this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of September 30, 2007, the City's assets exceeded liabilities by \$166,844.

The largest portion of the City's net assets \$94,410 (57%) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire capital assets still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$39,854 (24%), represents resources that are subject to external restrictions on how they may be used. Restricted net assets are for (1) use of impact fees for construction purposes \$5,671, and (2) debt service \$27,794, (3) construction \$4,177, and (4) other purposes \$2,212. Unrestricted net assets of \$32,580 (19%) may be used to meet the government's ongoing obligations to citizens and creditors.

For fiscal year end 2007, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Condensed Schedule of Net Assets (amounts expresses in thousands)**

	Governmental Activites		Business-type Activites		Total	Total
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$88,178	\$70,099	\$30,750	\$29,263	\$118,928	\$99,362
Capital assets	<u>145,969</u>	<u>142,989</u>	<u>83,193</u>	<u>83,915</u>	<u>229,162</u>	<u>226,904</u>
Total assets	234,147	213,088	113,943	113,178	348,090	326,266
Long-term liabilities outstanding	140,387	141,575	24,418	27,102	164,805	168,677
Other liabilities	<u>14,276</u>	<u>11,949</u>	<u>2,165</u>	<u>2,344</u>	<u>16,441</u>	<u>14,293</u>
Total liabilities	154,663	153,524	26,583	29,446	181,246	182,970
Net assets:						
Invested in capital assets, net of related debt	28,660	21,862	65,750	63,936	94,410	85,798
Restricted	32,626	21,049	7,228	6,784	39,854	27,833
Unrestricted	<u>18,198</u>	<u>16,653</u>	<u>14,382</u>	<u>13,012</u>	<u>32,580</u>	<u>29,665</u>
Total net assets	<u>\$79,484</u>	<u>\$59,564</u>	<u>\$87,360</u>	<u>\$83,732</u>	<u>\$166,844</u>	<u>\$143,296</u>

**Analysis of the City's operations**—The following table provides a summary of the City's operations for the year ended September 30, 2007.

**Governmental activities** – Governmental activities increased the City's net assets by \$19,920. Significant transactions of this increase are as follows:

The increase in restricted debt service of \$5,188 was due primarily to current year property tax revenues exceeding debt payments in the TIF#1 Debt Service Fund. Increase in Investment in capital assets, net of related debt of \$6,798 was due to road construction (Glade Road, Bass Pro Dr) and the purchase of operating equipment, and vehicles. The remainder of the increase in governmental activities net assets of \$11,834 was due to an increase in sales tax revenues made available from the additional 1% sales tax local option that became effective April 1, 2007.

**Business-type activities** – Business-type activities increased the City of Grapevines net assets by \$3,628. Expenses remained relatively the same for all business-type activities funds as compared to FY 2006. However, revenues for the Water and Sewer fund were \$2,659 less than the prior year, due to heavy rains during the summer months. Interest income was \$402 higher than the previous year due to higher interest rates. Heavy summer rains also reduced the Lake Enterprise (Golf course) revenues for FY 2007 resulting in an operating loss of \$133.

**Governmental funds** – As of the end of the current fiscal year, the City of Grapevine's governmental funds reported combined ending fund balances of \$71,411, an increase of \$13,308 compared with the prior year. Thirty-three percent \$23,810 of this is unreserved, undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed (1) to pay for debt service \$26,778, (2) for capital projects \$20,078, (3) and other projects \$745.

Significant changes in fund balances of Major funds are as follows:

General Fund – Overall the revenues of the General Fund increased due to additional taxes and fees earned over the previous year. General Fund costs in the public safety departments decreased by \$2,817. These savings in expenditures and additional revenues earned were transferred to the Quality of Life Fund (Non-major capital projects fund) to be used for capital projects as designated by the City Council.

Special revenue – Hotel Occupancy Tax Fund – Tax revenues increased \$932 due to the continued high occupancy rate at the hotels in the Grapevine area. Charges for Services increased \$316 due to additional revenues from the city festivals. The increase in revenues was offset with expenditures for promotion of the hotels and capital improvements to city attractions.

Debt Service Fund – This fund has a total fund balance of \$3,948, which is reserved for the payment of debt service. Increase in fund balance is due to property tax revenues. Property taxes collected are used for the payment of the principle and debt of the city.

Debt Service Fund – TIF #1 – This debt service fund accounts for the collection of property taxes in the TIF #1 area. Property tax revenues were \$390 higher than the previous year and interest income increased \$296 due to higher interest rate and cash balance.

Capital Projects Fund – The fund balance for the capital projects fund decreased by \$929 due to expenditures for construction of Glade Road and Bass Pro Drive.

Proprietary Funds – The city of Grapevine's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of the proprietary funds have already been addressed in the discussion of the City of Grapevine's business-type activities.

## Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	Total
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$16,808	\$13,518	\$20,401	\$23,238	\$ 37,209	\$ 36,756
Operating grants and contributions	2,310	805			2,310	805
Capital grants and contributions	785	3,759	833	1,690	1,618	5,449
General revenues:						
Property taxes	27,066	26,046			27,066	26,046
Hotel occupancy taxes	10,126	9,194			10,126	9,194
Sales taxes	31,827	19,993			31,827	19,993
Mixed beverage taxes	1,128	952			1,128	952
Franchise fees	6,191	5,945			6,191	5,945
Investment earnings	3,257	2,187	1,437	1,035	4,694	3,222
Miscellaneous	<u>124</u>	<u>310</u>	<u>624</u>	<u>359</u>	<u>748</u>	<u>669</u>
Total revenues	<u>99,622</u>	<u>82,709</u>	<u>23,295</u>	<u>26,322</u>	<u>122,917</u>	<u>109,031</u>
Expenses:						
General government	19,150	13,964			19,150	13,964
Public safety	20,732	19,174			20,732	19,174
Culture and recreation	21,914	19,978			21,914	19,978
Public works	12,777	9,502			12,777	9,502
Interest on long-term debt	6,634	6,579			6,634	6,579
Water and sewer			15,494	15,944	15,494	15,944
Lake enterprise			<u>2,668</u>	<u>2,664</u>	<u>2,668</u>	<u>2,664</u>
Total expenses	<u>81,207</u>	<u>69,197</u>	<u>18,162</u>	<u>18,608</u>	<u>99,369</u>	<u>87,805</u>
Excess (deficiency) in net assets before transfers	<u>18,415</u>	<u>13,512</u>	<u>5,133</u>	<u>7,714</u>	<u>23,548</u>	<u>21,226</u>
Transfers	<u>1,505</u>	<u>1,741</u>	<u>(1,505)</u>	<u>(1,741)</u>	<u>-</u>	<u>-</u>
Change in net assets	19,920	15,253	3,628	5,973	23,548	21,226
Net assets—October 1, 2006	<u>\$59,564</u>	<u>\$44,311</u>	<u>\$83,732</u>	<u>\$77,759</u>	<u>\$143,296</u>	<u>\$122,070</u>
Net assets—September 30, 2007	<u>\$79,484</u>	<u>\$59,564</u>	<u>\$87,360</u>	<u>\$83,732</u>	<u>\$166,844</u>	<u>\$143,296</u>

## **General Fund Budgetary Highlights**

### **Significant amendment changes:**

The original expenditure budget for Public Safety was decreased \$4,273 due to the election in November, 2006 approving the additional 1% sales tax option. As a result, the majority of the police department budget was transferred to the Crime District Fund that became effective April 1, 2007. The General Fund revenue budget was increased overall due to revenues earned being greater than anticipated. Management anticipated a slower economy and lower interest rate in FY 2007 and budgeted according.

### **Significant budget variances:**

There were no significant variances between final budget and the actual revenues for the General Fund. Public Safety expenditures budget was \$436 over budget due to holiday and overtime pay.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets**—The City's investment in capital assets for its governmental and business-type activities as of September 30, 2007 amount to \$229,162 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$2,258.

Major capital asset events during the current fiscal year included the following (amounts expresses in thousands):

Street Improvements - Glade Road	\$ 1,063
Water/Sewer system improvements	<u>932</u>
Total	<u>\$ 1,995</u>

**Capital Assets as of September 30, 2007—(Net of Accumulated Depreciation):**

	Governmental		Business-Type		Total	Total
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Land and improvements	\$ 43,948	\$ 42,400	\$ 1,644	\$ 1,644	\$ 45,592	\$ 44,044
Construction in progress	12,614	12,508	2,274	1,299	14,888	13,807
Buildings	25,021	24,410	1,082	1,228	26,103	25,638
Improvements O/T buildings	7,548	7,209	4,079	4,447	11,627	11,656
Machinery and equipment	6,453	6,454	194	149	6,647	6,603
Infrastructure	<u>50,385</u>	<u>50,008</u>	<u>73,920</u>	<u>75,148</u>	<u>124,305</u>	<u>125,156</u>
Total	<u>\$145,969</u>	<u>\$142,989</u>	<u>\$83,193</u>	<u>\$83,915</u>	<u>\$229,162</u>	<u>\$226,904</u>

Additional information on the City's capital assets can be found in Note 4 in the financial statements.

**Long-term debt**—At the end of the current fiscal year, the City had total bonded debt outstanding of \$162,062. Of this amount, \$137,866 comprises debt backed by the full faith and credit of the government and \$24,196 represents bonds secured solely by specific revenue sources from the proprietary funds.

**Outstanding Debt as of September 30, 2007:**

	Governmental		Business-Type		Total	Total
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 66,275	\$ 71,755	\$ 6,820		\$ 73,095	\$ 71,755
Certificates of obligation	68,905	70,600	4,240	\$ 4,485	73,145	75,085
Revenue bonds			13,300	22,545	13,300	22,545
Notes payable	3,611	521	144	282	3,755	803
Premium on bonds issued	2,359	2,207	121		2,480	2,207
Discount on bonds issued	(29)	(29)	(39)		(68)	(29)
Deferred loss on refunding	<u>(3,255)</u>	<u>(3,479)</u>	<u>(390)</u>	<u>(210)</u>	<u>(3,645)</u>	<u>(3,689)</u>
Total	<u>\$ 137,866</u>	<u>\$ 141,575</u>	<u>\$ 24,196</u>	<u>\$ 27,102</u>	<u>\$ 162,062</u>	<u>\$ 168,677</u>

Reduction in the City's long term debt for fiscal year 2007 was due to payments on outstanding notes and bonds. Additional information on the City's long-term debt can be found in Note 7 of the financial statements.

## **ECONOMIC FACTORS**

Grapevine's economic and property tax bases will remain stable due to recent commercial development activity. The city has implemented a multi year financial economic development plan. General Fund revenues increased during FY 2007 and General Fund reserves.

On January 31, 2008 Fitch Ratings ("Fitch") and Standard & Poor's Ratings services ("S&P") downgraded the Insured Financial Strength rating of Financial Guaranty Insurance Company ("FGIC") from AAA to AA. The City's underlying rating was not affected and remains "A1" and "AA-" by Moody's Investors Service and S&P, respectively, for GO Bond. The City's underlying rating is "A3" and "A+" by Moody's Investors Service and S&P, respectively, for Revenue Bonds.

## **REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Department, City of Grapevine, 200 S. Main Street, Grapevine, Texas 76051.



## **BASIC FINANCIAL STATEMENTS**



## CITY OF GRAPEVINE, TEXAS

## EXHIBIT 1

## STATEMENT OF NET ASSETS

SEPTEMBER 30, 2007

(Amounts expressed in thousands)

## Component

Unit

Heritage

Foundation

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 69,962	\$ 13,663	\$ 83,625	\$ 649
Receivables, net				
Taxes	2,714		2,714	
Accounts	3,078	2,239	5,317	
Pledges				201
Due from other funds	55	(55)		
Due from primary government				542
Due from other governments	10,256	177	10,433	
Inventories, at cost	429	4	433	
Accrued interest	296	123	419	4
Prepaid and other items	283		283	
Restricted assets:				
Cash and investments		13,190	13,190	
Customer deposits - cash and investments		802	802	
Capital assets (net of accumulated depreciation)				
Non-depreciable	56,562	3,918	60,480	798
Depreciable	89,407	79,275	168,682	695
Water storage rights		232	232	
Deferred charges (net of accumulated amortization)	1,105	375	1,480	
<b>TOTAL ASSETS</b>	<b>234,147</b>	<b>113,943</b>	<b>348,090</b>	<b>2,889</b>
<b>LIABILITIES</b>				
Accounts payable	5,539	966	6,505	66
Contracts and retainage payable	316		316	28
Accrued and other liabilities	2,124	149	2,273	4
Developer deposits	2,284		2,284	
Accrued bond interest payable	825		825	
Due to component unit	542		542	
Deferred revenues	786		786	
Unearned revenues	1,860		1,860	219
Liabilities payable from restricted assets				
Accounts payable		113	113	
Retainage payable		51	51	
Accrued bond interest payable		110	110	
Customer deposits		802	802	
Noncurrent liabilities:				
Due within one year:				
Compensated absences	7	31	38	
Notes payable	676	144	820	18
Bonds payable	10,815	2,125	12,940	
Due in more than one year:				
Compensated absences	2,397	162	2,559	
Arbitrage liability	118	3	121	
Notes payable	2,935		2,935	100
Bonds payable	123,439	21,927	145,366	
<b>TOTAL LIABILITIES</b>	<b>154,663</b>	<b>26,583</b>	<b>181,246</b>	<b>435</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	28,660	65,750	94,410	1,376
Restricted for:				
Use of impact fees		5,671	5,671	
Construction	4,177		4,177	
Debt service	26,237	1,557	27,794	
Other purposes	2,212		2,212	
Unrestricted	18,198	14,382	32,580	1,078
<b>Total Net Assets</b>	<b>\$ 79,484</b>	<b>\$ 87,360</b>	<b>\$ 166,844</b>	<b>\$ 2,454</b>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
(amounts expressed in thousands)

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Governmental activities:				
General government	\$ 19,150	\$ 3,535	\$ 13	
Public safety	20,732	3,280	624	\$ 65
Culture and recreation	21,914	6,908	461	720
Public works	12,777	3,085	1,212	
Interest on long-term debt	6,634			
Total governmental activities	81,207	16,808	2,310	785
Business-type activities:				
Water and sewer	15,494	17,689		833
Lake enterprises	2,668	2,712		
Total business-type activities	18,162	20,401		833
Total primary government	\$ 99,369	\$ 37,209	\$ 2,310	\$ 1,618
Component unit:				
Heritage Foundation	\$ 604	\$ 664	\$ 63	\$ 197
General revenues:				
Taxes:				
Property tax				
Franchise fees				
Hotel occupancy tax				
Sales tax				
Mixed beverage tax				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

The accompanying notes are an integral part of these financial statements.

## EXHIBIT 2

Net (Expense) Revenue and Changes in Net Assets			Component Unit Heritage Foundation
Primary Government			
Governmental Activities	Business-type Activities	Total	
\$ (15,602)		\$ (15,602)	
(16,763)		(16,763)	
(13,825)		(13,825)	
(8,480)		(8,480)	
(6,634)		(6,634)	
(61,304)		(61,304)	
	\$ 3,028	3,028	
	44	44	
	3,072	3,072	
(61,304)	3,072	(58,232)	
			\$ 320
27,066		27,066	
6,191		6,191	
10,126		10,126	
31,827		31,827	
1,128		1,128	
3,257	1,437	4,694	39
124	624	748	
1,505	(1,505)		
81,224	556	81,780	39
19,920	3,628	23,548	359
59,564	83,732	143,296	2,095
\$ 79,484	\$ 87,360	\$ 166,844	\$ 2,454

CITY OF GRAPEVINE, TEXAS

## GOVERNMENTAL FUNDS—BALANCE SHEET

SEPTEMBER 30, 2007

(amounts expressed in thousands)

	<u>General</u>	<u>Special Revenue</u> <u>Hotel</u> <u>Occupancy Tax</u>	<u>Debt Service</u>
<b>ASSETS</b>			
Cash and investments	\$ 5,031	\$ 3,599	\$ 3,892
Receivables:			
Accounts, net	1,134	224	
Taxes, net	943	864	843
Accrued interest	52	13	22
Inventory	427	2	
Due from other funds	1,904		
Due from other governments	4,356		25
Prepaid and other items	<u>212</u>	<u>54</u>	<u></u>
Total assets	<u>\$ 14,059</u>	<u>\$ 4,756</u>	<u>\$ 4,782</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,137	\$ 1,291	\$ 1
Accrued liabilities	1,648	159	10
Due to other funds			
Due to component unit		542	
Deferred revenues	1,374	14	823
Unearned revenues	1,671	94	
Contracts and retainage payable			
Developer deposits	<u></u>	<u></u>	<u></u>
Total liabilities	<u>5,830</u>	<u>2,100</u>	<u>834</u>
Reserve for:			
Encumbrances	28		
Inventory	427	2	
Prepayments	212	54	
Debt service			3,948
Capital projects			
Unreserved-reported in:			
General fund	7,562		
Special revenue funds:			
Designated for capital projects			
Undesignated		2,600	
Capital projects funds:			
Designated for construction			
Undesignated	<u></u>	<u></u>	<u></u>
Total fund balances	<u>8,229</u>	<u>2,656</u>	<u>3,948</u>
Total liabilities and fund balances	<u>\$ 14,059</u>	<u>\$ 4,756</u>	<u>\$ 4,782</u>

The accompanying notes are an integral part of these financial statements.

(Continued)

## EXHIBIT 3

<u>Debt Service</u> <u>TIF # 1</u>	<u>Capital</u> <u>Projects</u> <u>Streets</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 19,121	\$ 14,911	\$ 23,408	\$ 69,962
		1,356	2,714
428			3,078
108	26	75	296
			429
			1,904
	1,052	4,823	10,256
		17	283
<u>\$ 19,657</u>	<u>\$ 15,989</u>	<u>\$ 29,679</u>	<u>\$ 88,922</u>
	\$ 367	\$ 2,743	\$ 5,539
		307	2,124
		1,849	1,849
			542
\$ 428		358	2,997
		95	1,860
	209	107	316
	<u>2,284</u>		<u>2,284</u>
<u>428</u>	<u>2,860</u>	<u>5,459</u>	<u>17,511</u>
			28
			429
		22	288
19,229		3,601	26,778
		284	284
			7,562
		1,696	1,696
		2,991	5,591
	11,820	6,278	18,098
	<u>1,309</u>	<u>9,348</u>	<u>10,657</u>
<u>19,229</u>	<u>13,129</u>	<u>24,220</u>	<u>71,411</u>
<u>\$ 19,657</u>	<u>\$ 15,989</u>	<u>\$ 29,679</u>	<u>\$ 88,922</u>

(Concluded)

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007  
(amounts expressed in thousands)

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Total fund balances - governmental funds	\$ 71,411
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	145,969
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds	2,211
Bond interest is not payable within 60 days and is therefore not accrued at the fund level.	(825)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long term liabilities consist of:	
Bonds Payable	(137,865)
Compensated balances	(2,404)
Arbitrage liability	(118)
Deferred Charges recognized on Statement of Net Assets, not recognized in governmental balance sheet: Deferred bond issue costs	<u>1,105</u>
Total net assets - governmental activities	<u>\$ 79,484</u>

The accompanying notes are an integral part of these financial statements.



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CITY OF GRAPEVINE, TEXAS

GOVERNMENTAL FUNDS—STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
(amounts expressed in thousands)

	<u>General</u>	<u>Special Revenue</u> <u>Hotel</u> <u>Occupancy Tax</u>	<u>Debt Service</u>
REVENUES			
Property tax	\$ 6,222		\$ 11,767
Hotel occupancy tax		\$ 10,126	
Sales tax	21,212		
Mixed beverage tax	1,128		
Franchise fees	6,191		
Licenses and permits	1,776		
Intergovernmental	100		
Charges for services	5,795	4,931	
Fines and forfeitures	1,607		
Earnings on investments	352	66	384
Contributions			349
Miscellaneous and other	534	107	16
Total revenues	<u>44,917</u>	<u>15,230</u>	<u>12,516</u>
EXPENDITURES			
General government	15,345		
Public safety	14,710		
Culture and recreation	6,650	12,633	
Public works	4,514		
Operations			
Capital outlay	14	425	
Debt Service:			
Principal			8,182
Interest			3,915
Other and fiscal	6		5
Total expenditures	<u>41,239</u>	<u>13,058</u>	<u>12,102</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>3,678</u>	<u>2,172</u>	<u>414</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,417		301
Transfers out	(4,461)	(1,462)	
Proceeds from issuance of debt			
Premium on issuance of debt			
Total other financing sources (uses)	<u>(2,044)</u>	<u>(1,462)</u>	<u>301</u>
Net change in fund balances	1,634	710	715
Fund balances (deficit) - beginning	<u>6,595</u>	<u>1,946</u>	<u>3,233</u>
Fund balances (deficit) - ending	<u>\$ 8,229</u>	<u>\$ 2,656</u>	<u>\$ 3,948</u>

The accompanying notes are an integral part of these financial statements.

## EXHIBIT 5

<u>Debt Service</u> <u>TIF # 1</u>	<u>Capital</u> <u>Projects</u> <u>Streets</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ 5,350		\$ 3,574	\$ 26,913
			10,126
		10,614	31,826
			1,128
			6,191
			1,776
		831	931
		2,261	12,987
			1,607
783	\$ 808	793	3,186
		44	393
<u>21</u>	<u>367</u>	<u>123</u>	<u>1,168</u>
<u>6,154</u>	<u>1,175</u>	<u>18,240</u>	<u>98,232</u>
			15,345
		4,337	19,047
		187	19,470
			4,514
	6	6,546	6,552
	2,086	5,765	8,290
1,485			9,667
997		1,687	6,599
<u>6</u>	<u>12</u>	<u>2,528</u>	<u>2,557</u>
<u>2,488</u>	<u>2,104</u>	<u>21,050</u>	<u>92,041</u>
<u>3,666</u>	<u>(929)</u>	<u>(2,810)</u>	<u>6,191</u>
		5,039	7,757
		(329)	(6,252)
		5,610	5,610
		<u>2</u>	<u>2</u>
		<u>10,322</u>	<u>7,117</u>
3,666	(929)	7,512	13,308
<u>15,563</u>	<u>14,058</u>	<u>16,708</u>	<u>58,103</u>
<u>\$ 19,229</u>	<u>\$ 13,129</u>	<u>\$ 24,220</u>	<u>\$ 71,411</u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
(amounts expressed in thousands)

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Amounts reported for governmental activities in the statement of activities  
are different because:

Net change in fund balances-total governmental funds	\$ 13,308
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount of capital assets recorded in the current period.	8,290
Governmental funds do not recognize assets contributed by developers However, in the statement of activities the fair value of those assets are recognized as revenue, then depreciated over their estimated useful lives.	1,212
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	(6,545)
The issuance of long term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of Debt	(5,610)
Repayment of principal of long term debt	9,667
Amortization of:	
Premium on bond issuance	(152)
Bond Issue Cost-Deferred Cost	(24)
Loss on Refunding	(224)
The net effect of various miscellaneous transactions involving capital assets (i.e., the sales, trade-ins, and donations) is to decrease net assets.	24
Interest accrued at the government wide financial statements but not at the fund level. This represents the change in the accrual during the period.	32
Current year changes in long term liability do not require the use of current financial resources. Therefore, are not reported as expenditures in governmental funds	(110)
Compensated balances liability	
Arbitrage liability	(118)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	170
Change in Net Assets of Governmental activities	<u>\$ 19,920</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

SEPTEMBER 30, 2007

(amounts expressed in thousands)

	Business-Type Activities—Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total Enterprise Funds
<b><u>ASSETS</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 13,626	\$ 37	\$ 13,663
Receivables, net	2,178	61	2,239
Accrued interest	123		123
Inventory		4	4
Due from other governments	177		177
Total unrestricted current assets	16,104	102	16,206
Restricted assets			
Revenue bond reserve fund: cash and investments	1,210		1,210
Revenue bond interest and sinking fund: cash and investments	223		223
Customers deposits-billed and customers	802		802
Total restricted current assets	2,235		2,235
Total current assets	18,339	102	18,441
Non Current Assets:			
Restricted investments:			
Revenue bond construction: investments	5,875	211	6,086
Impact fees - construction: investments	5,671		5,671
Total restricted non current assets	11,546	211	11,757
Capital assets:			
Land	551	46	597
Buildings, structures and improvements	101,785	9,899	111,684
Vehicles, machinery and equipment	539	185	724
Construction in progress	2,274		2,274
Less accumulated depreciation	(27,991)	(4,095)	(32,086)
Net capital assets	77,158	6,035	83,193
Water storage rights	232		232
Deferred charges	341	34	375
Total non current assets	89,277	6,280	95,557
<b>TOTAL ASSETS</b>	<b>107,616</b>	<b>6,382</b>	<b>113,998</b>

(Continued)

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2007  
 (amounts expressed in thousands)

	Business-Type Activities—Enterprise Funds		
	Water and Sewer	Lake Enterprise	Total Enterprise Funds
<b>LIABILITIES</b>			
Current liabilities (payable from current assets)			
Accounts payable	\$ 910	\$ 51	\$ 961
Accrued and other liabilities	101	48	149
Due to other funds	13	42	55
Compensated absences	15	16	31
Total current liabilities payable from current assets	1,039	157	1,196
Current liabilities (payable from restricted assets):			
Accounts payable	113		113
Retainage payable related to capital recovery fees-construction	51		51
Accrued bond interest payable	84	26	110
Notes payable		144	144
General obligation bonds payable	135		135
Revenue bonds payable	1,730		1,730
Certificate of obligation		260	260
Customers' deposits	807		807
Total current liabilities payable from restricted assets	2,920	430	3,350
Total current liabilities	3,959	587	4,546
Noncurrent liabilities:			
General obligation bonds payable	6,452		6,452
Revenue bonds payable	11,494		11,494
Certificates of obligation		3,981	3,981
Notes payable			
Arbitrage liabilities	3		3
Compensated absences	77	85	162
Total noncurrent liabilities	18,026	4,066	22,092
Total liabilities	21,985	4,653	26,638
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	63,631	2,119	65,750
Restricted for:			
Use of impact fees	5,671		5,671
Debt service	1,557		1,557
Unrestricted	14,772	(390)	14,382
Total net assets	\$ 85,631	\$ 1,729	\$ 87,360

The accompanying notes are an integral part of these financial statements.

(Concluded)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007  
 (amounts expressed in thousands)

	<u>Business-Type Activities—Enterprise Fund</u>		
	<u>Water and Sewer</u>	<u>Lake Enterprise</u>	<u>Total Enterprise Funds</u>
OPERATING REVENUES:			
Charges for services	\$ 17,689		\$ 17,689
Culture and recreation - fees		\$ 2,712	2,712
Total operating revenues	17,689	2,712	20,401
OPERATING EXPENSES:			
Salaries and benefits	2,290	1,184	3,474
Maintenance, repairs, and supplies	7,379	277	7,656
Depreciation	2,225	507	2,732
General and administrative	2,753	488	3,241
Total operating expenses	14,647	2,456	17,103
OPERATING INCOME (LOSS)	3,042	256	3,298
NONOPERATING REVENUES (EXPENSES):			
Interest on investments	1,422	15	1,437
Interest and fiscal agent charges	(847)	(212)	(1,059)
Other, net	611	13	624
Total nonoperating revenue (expenses)	1,186	(184)	1,002
Income (Loss) before Contributions and Operating Transfers	4,228	72	4,300
Contributions	833		833
Transfers out	(1,300)	(205)	(1,505)
NET INCOME (LOSS)	3,761	(133)	3,628
Net assets, beginning of year	81,870	1,862	83,732
Net assets, end of year	\$ 85,631	\$ 1,729	\$ 87,360

The accompanying notes are an integral part of these financial statements.

COMBINED STATEMENT OF CASH FLOWS—ALL PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2007  
(amounts expressed in thousands)

	Water and Sewer Fund	Lake Enterprise	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 18,009	\$ 2,682	\$ 20,691
Cash received from other income	648	10	658
Cash paid to employees	(2,273)	(1,176)	(3,449)
Cash paid to suppliers for goods and services	(10,114)	(714)	(10,828)
Net cash provided by operating activities	<u>6,270</u>	<u>802</u>	<u>7,072</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES—Interest received on investments and cash equivalents</b>	<u>1,422</u>	<u>15</u>	<u>1,437</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Note payments		(138)	(138)
Principal paid on revenue bonds	(1,985)	(245)	(2,230)
Escrow payment for bond refunding	(700)		(700)
Interest and related fees paid on long-term debt	(847)	(212)	(1,059)
Acquisition and construction of capital assets	(1,196)		(1,196)
Net cash used in capital and related financing activities	<u>(4,728)</u>	<u>(595)</u>	<u>(5,323)</u>
<b>NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfer out	(1,300)	(205)	(1,505)
Net decrease in cash and cash equivalents	1,664	17	1,681
<b>CASH AND CASH EQUIVALENTS—Beginning of year</b>	<u>25,744</u>	<u>231</u>	<u>25,975</u>
<b>CASH AND CASH EQUIVALENTS—End of year</b>	<u>\$ 27,408</u>	<u>\$ 248</u>	<u>\$ 27,656</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 3,042	\$ 256	\$ 3,298
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	2,225	507	2,732
Amortization	148	4	152
Other income	648	11	659
(Increase) decrease in receivables	123	(27)	96
(Increase) decrease in due from other funds	16		16
Decrease in water storage rights	17		17
(Increase) decrease in inventories		(2)	(2)
Increase (decrease) in accounts payable and accrued liabilities	31	(1)	30
Increase in retainage payable related to capital recovery fees	(5)		(5)
Increase (decrease) in due to other funds		42	42
Increase in customer deposits received	13		13
(Increase) decrease in deferred charges	5	12	17
(Increase) decrease in prepaids	7		7
Net cash provided by operating activities	<u>\$ 6,270</u>	<u>\$ 802</u>	<u>\$ 7,072</u>
<b>NONCASH ITEMS—Capital contributions received</b>	<u>\$ 833</u>		<u>\$ 833</u>

The accompanying notes are an integral part of these financial statements.



STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

September 30, 2007

(amounts expressed in thousands)

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	Agency Funds	Grapevine Healthcare Reimbursement Trust Account
ASSETS		
Cash and Cash Equivalents	\$ 125	\$ 244
Total Assets	<u>\$ 125</u>	<u>\$ 244</u>
LIABILITIES		
Due to the Police Department Case Settlement	\$ 8	
Due to Industrial Development Corporation	<u>117</u>	
Total Liabilities	<u>\$ 125</u>	
NET ASSETS		
Held in trust for Grapevine Healthcare Reimbursement Account		<u>\$ 244</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
TRUST FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007  
(amounts expressed in thousands)

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	Grapevine Healthcare Reimbursement Trust <u>Account</u>
ADDITIONS	
Employer contributions	\$ 158
Interest earnings—cash and cash equivalents	<u>7</u>
Net investment earnings	<u>165</u>
Total additions	<u>165</u>
DEDUCTIONS	
Changes in net assets	165
Net assets -10/01/2006	<u>79</u>
Net assets - 9/30/2007	<u>\$ 244</u>

The accompanying notes are an integral part of these financial statements.

CITY OF GRAPEVINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED SEPTEMBER 30, 2007  
(amounts expressed in thousands)

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Grapevine ("City") is a municipal corporation incorporated under Article XI of the Texas Constitution (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the welfare, health, safety and convenience of its citizens.

**A. Reporting Entity**

The City of Grapevine's basic financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of Governmental Accounting Standards Board ("GASB") Statement No. 14. GASB Statement No. 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either (a) the primary government must be able to impose its will, or (b) the primary government may potentially benefit financially or be financially responsible for the component unit.

Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

Based on these criteria, the financial information of the following entities has been blended or discretely presented within the financial statements.

**Blended Component Unit**

Grapevine Tax Increment Financing District Reinvestment Zone Number One and Two (the "TIFS") were formed to finance and make public improvements serving only the City, under the authority of the Tax Increment Financing Act. The TIFS are governed by two separate nine-member boards of directors, of which five members are appointed by the City Council. The chairman of the board is also designated by the City Council.

On November 7, 2006 the City of Grapevine elected to create the Grapevine Crime Control and Prevention District and adopted a 1/2 cent local sales and use tax within the district. The 1/2 cent local sales and use tax became effective on April 1, 2007. The first remittance was received June, 2007. The Crime Control and Prevention District (Crime District) was established to account for the accumulation and use of sales tax proceeds designated for crime reduction programs.

On November 7, 2006 the City of Grapevine elected to create the Grapevine 4B Economic Development Corporation and adopted a 1/2 cent local sales and use tax within the district. The 1/2 cent local sales and use tax became effective on April 1, 2007. The first remittance was received June, 2007. Two funds were established to record these proceeds. The 4B Transit Fund accounts for 3/8<sup>th</sup> of one-half cent of the local sales tax used to fund Grapevine's participation in

## CITY OF GRAPEVINE, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS FISCAL YEAR ENDED SEPTEMBER 30, 2007 (amounts expressed in thousands)

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the commuter rail development project with the Fort Worth Transit Authority (the "T"). The Economic Development Fund accounts for 1/8th of one-half cent of the local sales tax used to stimulate the local economy, development, and redevelopment. The Boards of Directors of all three component units include citizens as members, but are substantively the same as the City Council.

#### **Discretely Presented Component Unit**

Grapevine Heritage Foundation (the "Foundation") is a Texas non-profit corporation governed by a fifteen member board of directors appointed by City Council, which includes a City Council member and the Director of the City's Convention and Visitor's Bureau. The Foundation's operating budget is subject to the approval of the City Council. The City is able to impose its will on the Foundation. The boards are not substantively the same. The Foundation does not provide services to the City.

The accounting and reporting policies of the City relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. The following represents the more significant accounting and reporting policies and practices used by the City.

Complete financial statements for the TIFS may be obtained from the City of Grapevine, Finance Department, 200 South Main St., Grapevine Texas 76051. Separate financial statements for the Heritage Foundation, the Crime Control and Protection District, The 4B Transit Fund, and the 4B Economic Development Fund are not prepared.

#### **B. Government-wide and fund financial statements**

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial

CITY OF GRAPEVINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED SEPTEMBER 30, 2007  
(amounts expressed in thousands)

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statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a separate column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In applying the susceptible to accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Generally, monies must be expended on a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. Ad valorem taxes are recognized as revenues in the year for which they are levied. Sales, franchise, and hotel occupancy taxes are recognized as revenue as earned, when measurable and available. Licenses and permits, charges for services, fines and miscellaneous revenues (except earnings on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

## CITY OF GRAPEVINE, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS FISCAL YEAR ENDED SEPTEMBER 30, 2007 (amounts expressed in thousands)

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Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer and municipal golf course are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City has elected to apply only those Financial Accounting Standards Board pronouncements issued before November 30, 1989 for its enterprise funds.

The City reports the following major governmental funds:

#### Governmental Funds:

The focus of Governmental Fund measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

**General Fund**—The General Fund accounts for several of the City's primary services (Police Administration, Fire, Public Works, Libraries, Parks and Recreation, etc.) and is the primary operating unit of the City. The fund is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Fund (Hotel Occupancy Tax Fund)**—The Hotel Occupancy Tax Fund accounts for all revenues and expenditures relating to the hotel/motel occupancy tax received by the City.

**Debt Service Fund**—The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Tax Increment Financing Number One (TIF #1) Debt Service Fund**—The TIF #1 account was established by ordinances authorizing the issuance of Combination Tax and Tax Increment Reinvestment Zone Certificate of Obligations Series 1996. A property tax is levied for the payment of the debt as it becomes due and is currently payable in annual installments as it becomes due.

**Streets Capital Projects**—The Streets Capital Projects Fund is used to account for the construction of improvements to various streets, drainage and sidewalk projects.

#### Proprietary funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. The following is a description of the major proprietary funds of the City:

**Water and Sewer Fund**—The water and sewer fund accounts for the operation of the City's water and sewer utility activities of the fund include administration, operation and maintenance of the

CITY OF GRAPEVINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED SEPTEMBER 30, 2007  
(amounts expressed in thousands)

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water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

**Lake Enterprise Fund**—The Lake Enterprise fund includes the operations of a municipal golf course.

There are no non-major proprietary funds for fiscal year end September 30, 2007.

The City reports the following fiduciary funds:

**Fiduciary Funds**—There are two fiduciary funds: two agency funds and the Grapevine Health Reimbursement Trust Account (HRA). The Agency Fund represents funds held in an agency capacity for the Industrial Development Corporation and funds held for the Police Department entitled “Police Department Case Settlement”. These funds are monies held by the police department related to evidence for cases not yet closed. These funds do not belong to the City. The Industrial Development Corporation is organized solely for the purposes of promoting and developing commercial, industrial, manufacturing and medical research enterprises to promote and encourage employment, public health and welfare. The (HRA) is an employee benefit trust account organized solely for the purpose of holding resources required to be held in trust for the members and beneficiaries of the defined employee medical plans. Agency funds do not have a measurement focus.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City’s governmental and business-type activities. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use the restricted resources first, and then use the unrestricted resources as needed.

D. Assets, liabilities, and net assets or equity

1. Cash and Investments:

Cash consists of demand deposits (principally interest-bearing accounts).

Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City considers quoted market prices at September 30, 2007 to be the fair value of investments.

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

## CITY OF GRAPEVINE, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS FISCAL YEAR ENDED SEPTEMBER 30, 2007 (amounts expressed in thousands)

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#### 2. Interfund Transactions, Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as either "due to/from other funds" or "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

#### 3. Property Taxes and Other Receivables:

The City's property tax is levied each October 1, on the assessed value listed as of the prior January 1 for all real property located in the City. The appraisal of property within the City is the responsibility of the Tarrant County Appraisal District as required by legislation passed by the Texas Legislature. The Appraisal District is required under such legislation to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The assessed value upon which the completed fiscal 2006 levy was based was approximately \$5,409,260,645 (amount not expressed in thousands). The value of property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action.

General property taxes are limited by the Texas Constitution to \$2.50 per \$100 of assessed valuation. The combined tax rate to finance general governmental service and debt service for the year ended September 30, 2007 was \$.3625 per \$100 of assessed valuation.

Property taxes attach as an enforceable lien on property as of January 1 following the levy date. Taxes are due by January 31 following the levy date. Current tax collections for the year ended September 30, 2007 were 99.0% of the tax levy.

Property taxes levied for 2007 are recorded as receivables, net of estimated uncollectibles. The net receivables collected during 2007 and those considered "available" at year-end are recognized as revenues in 2007. The City considers property taxes available if they are collected within 60 days after year-end. Prior year levies were recorded using these same principles. The remaining receivables are reflected as deferred revenues.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts for utility billing is estimated based on a percentage of sales. All other allowance for uncollectible accounts is based on accounts outstanding in excess of 360 days of the invoice date. The property tax receivable allowance is based on the average collection rate of delinquent taxes over the last twenty years.



CITY OF GRAPEVINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED SEPTEMBER 30, 2007  
(amounts expressed in thousands)

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Property taxes are an imposed nonexchange revenue. Assets from imposed nonexchange transactions are recorded when the entity has enforceable legal claim to the asset, or when the entity receives resources, whichever comes first. The enforceable legal claim date for property taxes is the assessment date. The assessment date has been designated in the enabling legislation as October 1.

The Tax Incremental and Financing District Number One and Tax Incremental and Financing District Number Two, have \$428 and \$358, respectively of property tax revenues classified as deferred revenues as of September 30, 2007. The City recorded these revenues as deferred revenues due to the advice from the City's legal counsel that there is pending legislation to recognize the payments of \$428 and \$358 in property tax revenues per the interpretation of Texas House Bill 1 ("HB1"). If this is realized, then receipt of funds would be made, else the receivable and deferred revenue will be written off in the subsequent year.

4. Inventories and Prepaid Items:

Inventories are valued at average cost on a first-in, first-out basis.

Inventories in the General Fund are recorded using the consumption method (i.e., recorded as an expenditure when used).

Prepaid items are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. A reserve for prepaid items is recognized in the governmental funds in the fund level financial statements to signify that a portion of fund balance is not available for other subsequent expenditures. Prepaids are defined as payments of greater than \$5,000 (amount not expressed in thousands) for a period of one year or more.

5. Restricted Assets:

Certain proceeds of the City's general obligation, certificates of obligation and revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or they are maintained in separate investment accounts. The "revenue bond reserve fund" accounts are used to segregate resources accumulated for current debt service payments. The "revenue bond interest and sinking fund" accounts are used to report resources set aside to make up potential future deficiencies in the revenue bond retirement accounts. The "revenue bond construction" accounts are used to report those proceeds of revenue bond issuances that are restricted for use in construction of assets. Also included in restricted assets are impact fees (see Note 12) and customer deposits.

6. Capital Assets:

Capital assets which include, land improvements, construction-in-progress, buildings and improvements, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets, with an initial, individual cost of more than \$5,000 (amount not expressed

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in thousands) and an estimated useful life in excess of two years. Infrastructure assets are defined by the City as assets costing in excess of \$50,000 (amounts not expressed in thousands) that have an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are as follows:

<u>Asset</u>	<u>Years</u>
Buildings	7-40
Water and sewer system	30-50
General Infrastructure	20-30
Improvements other than buildings	10-20
Machinery and equipment	3-10
Motor vehicles	3-10

7. Compensated Absences:

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Employees are reimbursed upon termination for accumulated vacation and only non-exempt employees are reimbursed for compensatory time. Employees are not reimbursed upon termination for accumulated sick leave. The liabilities for these amounts are accrued as they are incurred in the government-wide, governmental, and proprietary fund financial statements.

8. Long-Term Debt:

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs and losses on refundings are reported as deferred charges and amortized on a straight line basis over the life of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing

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uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

9. Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans, and are subject to change.

10. Budgetary Data:

The City follows these procedures in establishing budgetary data reflected in the financial statements:

- (1) Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to September 15, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council, after public hearings. Total expenditures may not exceed appropriations at the individual fund level.
- (5) Budgets are legally adopted for the General Fund, Hotel Occupancy Tax Fund (a special revenue fund) and the Debt Service Fund and Enterprise Funds. Budgetary control is maintained at the fund level.
- (6) Budgets for the General, Hotel Occupancy Tax Special Revenue and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles. Budget amounts are as amended by the City Council and adjusted for transfers of budgeted amounts between departments within any fund, authorized by the City Manager. Budget appropriations lapse at the end of each fiscal year.
- (7) Budgetary comparison schedules are presented for the General Fund and for each major special revenue fund as required by GASB 34. Capital Projects Funds have not been presented as such funds are budgeted over the life of the respective project and not on an annual basis. Accordingly formal budgetary integration of these funds is not employed and comparison of actual results of operations to budgetary data for such funds is not presented.

The Budgetary Comparison schedule, included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the General Fund,

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and Hotel Occupancy Tax (Special Revenue). A comparison of budgetary data to actual results of the operations for the Debt Service fund is presented in the Other Supplementary Information. These funds utilize the same basis of accounting for both budgetary purposes and actual results, except encumbrances are added to the actual expenditures for budgetary comparison.

Significant budget amendment changes for the year ended September 30, 2007 were as follows.

**General fund** — Variance in all the revenue line items, except for Charges for Services, are a result of the conservatism of the City in establishing the original budget. Management anticipated a down turn in the economy and lower interest rates and budgeted accordingly. Charges for Services budget variance from the original of \$761 is due primarily to ambulance fees \$552, recreation fees \$98, and subrogation revenues \$100 being higher than anticipated.

The Expenditure budget for the general government decreased \$253 from the original budget due to \$585 over budgeting for health care claims and under budgeting of \$295 for the 7/8<sup>th</sup> of 1% sales tax rebate agreement between Henry Schein Inc. and the City. This agreement was entered into in March, 2007 and not originally budgeted for fiscal year 2007. The original budget of Public Safety decreased \$4,122 due to several departmental expenditures of the police being transferred to the Crime District Fund as of April 1, 2007. Original budget included these expenditures in the General Fund but were transferred out to the Crime District Fund (Non Major Fund). The variance of \$357 for the Parks and Recreation department resulted from an increase in park maintenance costs due to flooding at Lake Grapevine this summer. The budget for Public Works decreased \$261 due to a savings in salaries and benefits.

The Transfer in budget decreased \$2,152 from the original budget. A transfer in of revenues stabilization funds from the City's Capital Acquisition Fund (Non Major Capital Projects Fund) was originally planned to provide additional revenues for the General Fund. Due to the passage of the additional 1% sales tax November 2007, these funds were not needed. Transfers out budget increased \$3,682 due to transfer of funds to the Quality of Life (Non Major Capital Project Fund). This appropriation was made by City Council to renovate the baseball facility, after the original budget had been approved.

**Special revenue fund (Hotel Occupancy Tax)** — Hotel Occupancy Tax revenue budget was increased \$805 due to unanticipated revenues. Management anticipated a down turn in the economy and less hotels occupied during fiscal year 2007. The variance in the Charges for Services of \$3,321 is due to the Main Street Days and Grapefest Festivals not being in the original budget numbers. The increase in the Culture and recreation expenditures budget of \$3,391 is due to the Main Street Days and Grapefest Festivals expenditures of \$2,900 not being in the original budget, and expenditures for the train operations of \$800 being greater than anticipated. The Capital outlay budget had a \$336 variance due to the purchase of the train from Fort Worth Western Railroad that the City had been leasing. This purchase was not in the original budgeted numbers.

**Debt Service Fund** — The budget variance between original and final are due to:

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Tax revenues earned were \$55 less than anticipated. Principal expenditures were originally budgeted \$468 higher than final due to current year bond issuances occurring later in the fiscal year resulting in debt payments being due in fiscal year 2008. Funds received by Debt Service Fund were \$145 less than originally budget due to transfers from the Storm Drainage and Lake Parks funds being less than projected. The Lake Parks fund reduced the debt contribution to the Debt Service Fund, due to lower revenues earned for fiscal year 2007 because of flooding at Lake Grapevine. Interest expense and fiscal charges were \$33 less than originally budgeted due to an over estimation of interest costs for bonds issued in fiscal year 2007.

Significant budget variances to actual for the year ended September 30, 2007 were as follows.

**General Fund** — There was no significant variances between final budget and the actual revenues for the General Fund. General Government expenditures were \$60 less than budgeted due to a decrease in use of professional services. Public Safety had a negative variance of \$436 due to overtime and holiday pay. Culture and Recreation expenditures had a positive variance of \$28 due to savings in costs of supplies, tools, and salaries and benefits. Public Works expenditures had a positive variance of \$17 due to a decrease in benefit costs. The departments followed the City policy to monitor and minimize costs of operations during the fiscal year. Capital outlays had a negative variance of \$8 due to unplanned purchase of a copy machine for City Hall. Other and fiscal expenditures had an unfavorable variance of \$6 due to unplanned costs related to the residual equity transfer of petty cash funds to the Crime Control and Prevention District Fund established April, 2007.

**Special revenue fund (Hotel Occupancy Tax)** — Charges for services revenues were \$95 less than budgeted due to the resale of labor for convention services was less than anticipated. Interest income was \$66 higher than budgeted due to interest rates being higher than anticipated. Culture and recreation expenditures had a negative variance of \$18 due to advertising costs. A negative variance of \$3 occurred in the capital expenditures due to unplanned purchases of machinery and equipment.

**Debt Service fund** — Interest and miscellaneous revenues were \$301 greater than budgeted due to interest rates being higher than projected.

**Deficit fund equity** — The Lake Parks Fund (Special Revenue—Non Major Fund) had a deficit fund balance of \$323. This deficit increased by \$82, from fiscal year 2006, due to the closing of the Vineyards Campground this summer because of flooding on Lake Grapevine. This deficit will be eliminated through the Vineyards campground revenues earned in fiscal year 2008.

11. New Accounting Principles:

New accounting standards not yet implemented by the City include the following.

GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("GASB 45"), which will be effective for the City in the fiscal year ending September 30, 2009. GASB 45 requires state and local

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governments to establish standards for the measurement, recognition, and display of other postemployment benefits, expense/expenditures, related liabilities and note disclosures in the financial statements. As of September 30, 2007, the City plans to implement the provisions of this Statement in fiscal year 2009.

Statement No. 48 ("GASB 48"), *"Sales and Pledges of Receivables and Future Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues"*. This Statement is effective for the City beginning in fiscal year 2008. This Statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The Statement also requires enhanced disclosures pertaining to future revenues that have been pledged or sold, provides guidance on sales of receivables and future revenues within the same financial reporting entity, and provides guidance on recognizing other assets and liabilities arising from the sale of specific receivables or future revenues. As of September 30, 2007, the City plans to implement the provisions of this Statement in fiscal year 2008.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which identifies the circumstances under which a governmental entity is required to report a liability related to pollution remediation. This statement will be effective for the City in the fiscal year ending September 30, 2008. A government is required to estimate expected outlays for pollution remediation using an "expected cash flows" measurement technique if it knows a site is polluted and if any of the predefined recognition triggers occur. Information about pollution obligations associated with clean up efforts should also be disclosed in the notes to the financial statements.

Statement No. 50 ("GASB 50"), *Pension Disclosures—An Amendment of GASB Statements No. 25 and No. 27*, in May 2007. The statement will be effective for the City in the fiscal year ending September 30, 2008. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB), and in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local governmental Employers*, to confirm with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Statement No. 51 ("GASB 51"), *Accounting and Financial Reporting for Intangible Assets*, which is effective for the City beginning in fiscal year 2010. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets.

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Statement No. 52 ("GASB 52"), *Land and Other Real Estate Held as Investments by Endowments*, was also issued and is effective for the City beginning in fiscal year 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently report for other investments reported at fair value.

The City has not yet determined the impact of implementation of the new standards. However, see footnote 16 regarding GASB 45.

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**2. CASH AND INVESTMENTS**

As of September 30, 2007, the City had the following investments:

Total City Cash Deposits	\$ 8,645
Total Investments	<u>89,990</u>

Total City Cash and Investments	<u>\$ 98,635</u>
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Cash and Investments composition:

Primary government	\$ 97,617
Component unit	649
Trust and Agency Funds	<u>369</u>

Total Cash and Investments	<u>\$ 98,635</u>
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<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 55,472	0.003
Logic	5,393	0.003
FFCB	1,649	0.066
FHLB	15,723	0.655
FHLMC	6,802	0.185
FNMA	4,653	0.114
U.S. Treasury Bonds	<u>298</u>	<u>0.088</u>
	<u>\$ 89,990</u>	
Portfolio Weighted Average Maturity		<u>0.360</u>

Interest Rate Risk—The City will minimize the risk that the interest earnings and the market value of investments in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate investments prior to maturity.
- Investing operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds
- Diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

Credit Risk—The City will minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment, by:



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- a. Limiting investments to the safest types of investments.
- b. Pre-qualifying the financial institutions and broker/dealers with which the City will do business.
- c. Diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

**Concentration Of Credit Risk**—The City's investment policy allows up to 100% to be invested in U.S. Treasury Bills/Notes/Bonds, and U.S. Agencies & Instrumentalities. The City's investment in the securities of U.S. agencies are rated AAA by Standard and Poor's. TexPool and Logic are public funds investment pools operating as a 2a-7 like pool and in full compliance with the Public Funds Investment Act.

**Custodial Credit Risk**—State statutes require that all City deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of the state of Texas or its agencies. The City's deposits were fully insured, collateralized, or have a letter of credit issued by the Federal Home Loan Bank as required by State statutes at September 30, 2007. The bank balances were fully collateralized by government securities.

**3. RECEIVABLES**

Receivables as of year end for the government's individual major funds and non major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Hotel Occupancy</u>	<u>Debt Service</u>	<u>Debt Service Tif #1</u>	<u>Capital Project Streets</u>	<u>Water and Sewer</u>	<u>Lake Enterprise</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:									
Accrued interest	\$ 52	\$ 13	\$ 22	\$ 108	\$ 26	\$ 123		\$ 75	\$ 419
Taxes	1,032	864	921	428					3,245
Accounts	<u>1,285</u>	<u>224</u>				<u>2,316</u>	<u>\$ 61</u>	<u>1,356</u>	<u>5,242</u>
Gross receivables	2,369	1,101	943	536	26	2,439	61	1,431	8,906
Less: allowance for uncollectibles	<u>(240)</u>		<u>(78)</u>			<u>(138)</u>			<u>(456)</u>
Net total receivables	<u>\$ 2,129</u>	<u>\$ 1,101</u>	<u>\$ 865</u>	<u>\$ 536</u>	<u>\$ 26</u>	<u>\$ 2,301</u>	<u>\$ 61</u>	<u>\$ 1,431</u>	<u>\$ 8,450</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue in the governmental funds were as follows:

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Government funds:

	<u>Unavailable</u>	<u>Unearned</u>
Franchise fees		\$ 1,640
Open space deposits		56
Convention center deposits		67
Delinquent property taxes receivable—general fund	\$ 931	
Delinquent property taxes receivable—debt service fund	823	
Delinquent property taxes receivable— debt service fund TIF #1	428	
Delinquent property taxes receivable—nonmajor governmental funds debt service TIF #2	358	
Ambulance fees	384	
Municipal court fines	59	
Miscellaneous	<u>14</u>	<u>97</u>
Total	<u>\$ 2,997</u>	<u>\$ 1,860</u>

Component unit:

	<u>Unearned</u>
Pledges	<u>\$ 219</u>
Total	<u>\$ 219</u>

The City considers franchise fees exchange transactions as a lease of right-of-way for utility lines. Because they are treated as exchange transactions, the payments are recorded as unearned revenue and then are recognized in the period of exchange.

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**4. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2007 was as follows:

	<u>Beginning Balance 10/1/2006</u>	<u>Transfers and Additions</u>	<u>Transfers and Retirements</u>	<u>Ending Balance 9/30/2007</u>
Government activities:				
Land	\$ 42,400	\$ 1,548		\$ 43,948
Construction in progress	<u>12,508</u>	<u>2,557</u>	<u>\$ (2,451)</u>	<u>12,614</u>
Total capital assets not being depreciated	54,908	4,105	(2,451)	56,562
Capital assets being depreciated:				
Building	34,425	1,675		36,100
Improvement other than buildings	11,097	850		11,947
Equipment and vehicles	20,512	2,183	(284)	22,411
Infrastructure	<u>93,271</u>	<u>3,241</u>		<u>96,512</u>
Total capital assets being depreciated	159,305	7,949	(284)	166,970
Less accumulated depreciation for:				
Building	(10,015)	(1,064)		(11,079)
Improvements other than buildings	(3,888)	(511)		(4,399)
Equipment and vehicles	(14,058)	(2,106)	206	(15,958)
Infrastructure	<u>(43,263)</u>	<u>(2,864)</u>		<u>(46,127)</u>
Total accumulated depreciation	<u>(71,224)</u>	<u>(6,545)</u>	<u>206</u>	<u>(77,563)</u>
Total capital assets, being depreciated-net	<u>88,081</u>	<u>1,404</u>	<u>(78)</u>	<u>89,407</u>
Governmental activities capital assets -net	<u>\$ 142,989</u>	<u>\$ 5,509</u>	<u>\$ (2,529)</u>	<u>\$ 145,969</u>

Depreciation expense was charged to functions as follows:

General government	\$ 519
Public safety	1,253
Public works	3,291
Culture and recreation	<u>1,482</u>
Total depreciation expense-governmental activities	<u>\$ 6,545</u>

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Business-type activities:

	Beginning Balance <u>10/1/2006</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance <u>9/30/2007</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 1,644			\$ 1,644
Construction in progress	<u>1,299</u>	<u>\$ 1,091</u>	<u>\$ (116)</u>	<u>2,274</u>
Total capital assets not being depreciated	<u>2,943</u>	<u>1,091</u>	<u>(116)</u>	<u>3,918</u>
Capital assets being depreciated:				
Buildings	2,423			2,423
Improvements other than buildings	6,869			6,869
Vehicles and Equipment	702	105	(83)	724
Infrastructure	<u>100,827</u>	<u>951</u>	<u>(433)</u>	<u>101,345</u>
Total capital assets being depreciated	<u>110,821</u>	<u>1,056</u>	<u>(516)</u>	<u>111,361</u>
Less accumulated depreciation for:				
Buildings	(1,195)	(146)		(1,341)
Improvements other than buildings	(2,422)	(368)		(2,790)
Equipment	(553)	(60)	83	(530)
Infrastructure	<u>(25,679)</u>	<u>(2,158)</u>	<u>412</u>	<u>(27,425)</u>
Total accumulated depreciation	<u>(29,849)</u>	<u>(2,732)</u>	<u>495</u>	<u>(32,086)</u>
Total capital assets, being depreciated—net	<u>80,972</u>	<u>(1,676)</u>	<u>(21)</u>	<u>79,275</u>
Business-type activities capital assets—net	<u>\$ 83,915</u>	<u>\$ (585)</u>	<u>\$ (137)</u>	<u>\$ 83,193</u>
Depreciation expense was charged to functions as follows:				
Water		\$ 1,288		
Sewer		926		
General government		11		
Golf		<u>507</u>		
Total depreciation expense—business-type activities		<u>\$ 2,732</u>		

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Construction Commitments:

The City has active construction projects as of September 30, 2007. The projects include building projects, street construction and improvements of existing streets, and repair and maintenance of existing water and sewer systems. As of September 30, 2007, the City had outstanding construction commitments totaling \$7,220.

<u>Project</u>	<u>Commitment</u>
Buildings	\$ 126
Streets and drainage projects	5,089
Water and wastewater—new water lines, repair and maintenance	<u>2,005</u>
Total	<u>\$ 7,220</u>

The commitment for building, street and drainage construction is funded from unexpended general obligation, certificates of obligation, and revenue bond proceeds. Water and wastewater projects are funded from unexpended revenue bond proceeds and operations.

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Discretely presented component unit:

	10/1/2006 <u>Balance</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	9/30/2007 <u>Balance</u>
Land	\$ 450			\$ 450
Construction in progress	<u>41</u>	<u>\$ 307</u>	<u></u>	<u>348</u>
Total capital assets not being depreciated	<u>491</u>	<u>307</u>	<u></u>	<u>798</u>
Building		197		197
Improvements other than building	1,069	56	\$ (197)	928
Vehicles and Equipment	<u>87</u>	<u></u>	<u>(56)</u>	<u>31</u>
Total capital assets being depreciated	<u>1,156</u>	<u>253</u>	<u>(253)</u>	<u>1,156</u>
Less accumulated depreciation for:				
Building		(31)		(31)
Improvements other than buildings	(386)	(46)	26	(406)
Vehicles and Equipment	<u>(16)</u>	<u>(8)</u>	<u></u>	<u>(24)</u>
Total accumulated depreciation	<u>(402)</u>	<u>(85)</u>	<u>26</u>	<u>(461)</u>
Total capital assets being depreciated-net	<u>754</u>	<u>168</u>	<u>(227)</u>	<u>695</u>
Component unit capital assets-net	<u>\$ 1,245</u>	<u>\$ 168</u>	<u>\$ (227)</u>	<u>\$ 1,493</u>

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**5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of September 30, 2007 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue Fund:	
	Grants (non-major fund)	\$ 988
	Lake parks	255
	Crime District	<u>606</u>
	Total Governmental	1,849
	Water Sewer Fund	13
	Lake Enterprise	<u>42</u>
	Total Enterprise	<u>55</u>
Total		<u>\$ 1,904</u>

Interfund balances for all the funds are created by short-term deficiencies in cash position in the individual fund. It is anticipated that the balances will be repaid within one year or less. Due to/from component unit and primary government:

Component unit—Heritage	Hotel occupancy tax	<u>\$ 542</u>
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CITY OF GRAPEVINE, TEXAS

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Interfund transfers:

The primary purpose of interfund transfers is the transfer of funds from one fund to support expenditures of another fund in accordance with the authority established for the individual fund. A summary of interfund transfers by fund type is as follows:

Transfer from:	Transfer To:			
	General <u>Fund</u>	Debt Service <u>Fund</u>	Nonmajor <u>Governmental</u>	Total <u>Transfers</u>
General fund			\$ 4,461	\$ 4,461
Hotel occupancy tax	\$ 807	\$ 87	568	1,462
Water Sewer	1,300			1,300
Lake Enterprise	205			205
Nonmajor governmental funds	<u>105</u>	<u>214</u>	<u>10</u>	<u>329</u>
Total	<u>\$ 2,417</u>	<u>\$ 301</u>	<u>\$ 5,039</u>	<u>\$ 7,757</u>

Transfers to the Non Major Governmental Funds were from three funds. The General Fund transferred \$3,862 to the Quality of Life Fund for construction of a baseball facility and \$599 for capital projects related to streets, general facilities and equipment. The Hotel Occupancy Tax Fund transferred \$568 to the non major funds for capital improvements of various projects within the City. The transfers to Debt Service Fund were for payment of debt obligations from the Hotel Occupancy Tax Fund \$87 and the Storm Drainage Fund \$183 and a transfer of funds from a non major parks and recreation capital projects fund \$31. Transfers to the General fund in the amount of \$2,417 were for payments from other funds for insurance claims, fleet costs and IT costs administered by the General Fund.



CITY OF GRAPEVINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS  
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**6. LEASES**

Operating Leases:

Heritage Foundation:

On July 17, 2001, an operating lease agreement was entered into by the City and the Heritage Foundation whereby the Foundation would rent the Palace Theater from the City for \$370 annually for a term of 20 years. The minimum future rental receipts as of September 30, 2007 are as follows:

<u>Year Ending September 30,</u>	<u>Minimum Future Rental Payments</u>
2008	\$ 370
2009	370
2010	370
2011	370
2012	370
2013-2017	1,850
2018-2022	<u>1,110</u>
Total	<u>\$ 4,810</u>

Lake Parks:

The City entered into a 25 year lease agreement with the United States Corps of Engineers to operate and maintain approximately 770 acres of property at Lake Grapevine. The City is required to pay the cost to maintain and operate the property. Revenues generated from the operations on the property will be used to maintain the property. The term of the operating lease is from October 2004 through September 2029. The agreement covers the park areas of Meadowmere Park, Oak Grove Park and Silver Lake Park.

## CITY OF GRAPEVINE, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS FISCAL YEAR ENDED SEPTEMBER 30, 2007 (amounts expressed in thousands)

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#### Gaylord Resort and Convention Center (Gaylord):

The City leased property from the United States Corps of Engineers (as referred to above (Lake Parks)). The City entered into a sublease agreement with the Gaylord on March 18, 1994 for a portion of the land leased from the United States Corps of Engineers. The contract is for 49 years and the rent payment is \$1 per year. Gaylord has a subleasehold deed of trust and security agreement. The City agreed to sublease property to Gaylord so they could secure financing.

#### Cowboys Golf Course:

The City entered into a 25 year lease agreement with the Cowboys Golf Course in 1994. The rent fee is 3% of Cowboys gross revenues from operations.

## **7. LONG-TERM LIABILITIES**

### General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. During the year, general obligation bonds totaling \$7,015 were issued to refund revenue bonds. These general obligation bonds will be paid from the revenues earned in the Water and Sewer (Business-activity) Fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	4.3% - 6.35%	\$ 9,485
Governmental activities - refunding	2.5% - 5.25%	<u>56,790</u>
Total governmental		66,275
Business-type activities - refunding	4.0% - 4.25%	<u>6,820</u>
Total GO Debt		<u>\$ 73,095</u>

CITY OF GRAPEVINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS  
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Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>General Obligation</u>	<u>GO Interest</u>	<u>General Obligation</u>	<u>GO Interest</u>
2008	\$ 5,585	\$ 2,837	\$ 135	\$ 278
2009	5,960	2,602	145	272
2010	5,525	2,360	565	266
2011	8,685	4,107	595	244
2012	6,105	1,730	615	220
2013-2017	25,680	4,722	3,855	702
2018-2022	6,885	1,191	910	56
2023-2027	<u>1,850</u>	<u>151</u>	<u>          </u>	<u>          </u>
Total	<u>\$ 66,275</u>	<u>\$ 19,700</u>	<u>\$ 6,820</u>	<u>\$ 2,038</u>

CITY OF GRAPEVINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS  
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Certificates of Obligation

The City also issues certificates of obligation ("CO's") to finance the acquisition and construction of capital assets including certain capital improvement projects, municipal facilities, and machinery and equipment. In fiscal year 2007, the City issued new CO's in the amount of \$2,250. Interest rates on the outstanding CO's range from 3.00%—7.00%. Annual debt service requirements to maturity for certificates of obligation of the primary government are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Certificates of Obligation</u>	<u>CO Interest</u>	<u>Certificates of Obligation</u>	<u>CO Interest</u>
2008	\$ 5,230	\$ 3,410	\$ 260	\$ 192
2009	5,410	3,113	275	179
2010	5,430	2,839	290	166
2011	4,595	2,565	305	153
2012	4,405	2,344	1,785	530
2013-2017	20,640	8,325	1,325	96
2018-2022	12,095	4,527		
2023-2027	<u>11,100</u>	<u>1,404</u>		
Total	<u>\$ 68,905</u>	<u>\$ 28,527</u>	<u>\$ 4,240</u>	<u>\$ 1,316</u>

CITY OF GRAPEVINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS  
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Revenue bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Water and sewer revenues are used for repayment of these revenue bonds. Interest rates on outstanding water and sewer revenue bonds range from 2.00%—5.35%. Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Business-activities</u>	
	<u>Revenues</u>	<u>Revenue</u> <u>Interest</u>
2008	\$ 1,730	\$ 585
2009	1,800	518
2010	1,470	443
2011	935	387
2012	1,770	410
2013-2017	3,725	977
2018-2022	<u>1,870</u>	<u>242</u>
Total	<u>\$ 13,300</u>	<u>\$ 3,562</u>

CITY OF GRAPEVINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS  
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Tax, Land and Other Notes

The City issues tax notes to finance the construction of capital improvement projects, municipal facilities, and machinery and equipment. In fiscal year 2007, the City issued \$3,360 in tax notes. The interest rates on the outstanding tax notes range from 3.00%—4.25%.

The Heritage Foundation, a component unit, has issued bank notes for capital improvement projects and municipal facilities. The interest rate on the loans is 8.25%.

Tax Notes, Land and Other debt service requirements to maturity are as follows:

Year Ending September 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
	Tax, Land and <u>Other Notes</u>	Tax, Land and Other <u>Interest</u>	Tax, Land and <u>Other Notes</u>	Tax, Land and Other <u>Interest</u>	Notes Payable	Notes Payable <u>Interest</u>
2008	\$ 676	\$ 131	\$ 144	\$ 6	\$ 18	\$ 9
2009	500	103			19	8
2010	490	85			21	6
2011	490	66			23	4
2012	485	48			25	2
2013-2017	<u>970</u>	<u>39</u>	<u>          </u>	<u>          </u>	<u>12</u>	<u>          </u>
Total	<u>\$ 3,611</u>	<u>\$ 472</u>	<u>\$ 144</u>	<u>\$ 6</u>	<u>\$ 118</u>	<u>\$ 29</u>

CITY OF GRAPEVINE, TEXAS

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The following is a summary of long-term liability transactions of the City for the year ended September 30, 2007 (amounts expressed in thousands):

	10/1/2006	Increases	Reductions	9/30/2007	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 71,755	-	\$ (5,480)	\$ 66,275	\$ 5,585
Certificates of obligation	70,600	\$ 2,250	(3,945)	68,905	5,230
Deferred loss on refunding	(3,479)		224	(3,255)	
Premium on bond issues	2,207	203	(51)	2,359	
Discount on bond issues	(29)	(1)	1	(29)	
Net governmental bonds payable	141,054	2,452	(9,251)	134,255	10,815
Notes payable - taxes	493	3,360	(242)	3,611	676
Non-interest bearing note payable	28		(28)	-	-
Net governmental debt outstanding	141,575	5,812	(9,521)	137,866	11,491
Compensated absences	2,266	153	(15)	2,404	7
Arbitrage liability		118		118	
Total governmental long-term liabilities	<u>\$ 143,841</u>	<u>\$ 6,083</u>	<u>\$ (9,536)</u>	<u>\$ 140,388</u>	<u>\$ 11,498</u>
Business-type activities:					
General obligation bonds		\$ 7,015	\$ (195)	\$ 6,820	\$ 135
Water and sewer obligations	\$ 22,545		(9,245)	13,300	1,730
Less deferred amount on refund	(210)	(247)	67	(390)	
Premium on bond issues		115	6	121	
Discount on bond issues		(34)	(5)	(39)	
Net water and sewer bonds payable	22,335	6,849	(9,372)	19,812	1,865
Lake Enterprise obligations	4,485	-	(245)	4,240	260
Net business-activity bonds payable	26,820	6,849	(9,617)	24,052	2,125
Notes payable - taxes	282		(138)	144	144
Net business-activity debt outstanding	27,102	6,849	(9,755)	24,196	2,269
Compensated absences	189	25	(21)	193	31
Arbitrage liability		3		3	
Total business-type long-term liabilities	<u>\$ 27,291</u>	<u>\$ 6,877</u>	<u>\$ (9,776)</u>	<u>\$ 24,392</u>	<u>\$ 2,300</u>
Component units	133	-	(15)	118	18
Total component unit long-term debt	<u>\$ 133</u>	<u>-</u>	<u>\$ (15)</u>	<u>\$ 118</u>	<u>\$ 18</u>

The annual requirements to amortize outstanding debt and advances from other funds as of September 30, 2007, including interest payments of \$48,699, governmental activities and \$6,922, for business-type activities, and \$29 for Heritage Foundation.

For the governmental activities, compensated absences and other long-term liabilities are generally liquidated by the general fund.

CITY OF GRAPEVINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS  
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Bond Refunding

For the general obligation bonds advance refunded, in November, 2006, securities in the amount of \$7,015 were deposited in an irrevocable escrow account with an escrow agent to provide for all future debt service payments on the bonds refunded. The City refunded \$1,710 of the 1996 Water and Sewer Bonds, \$4,105 of the 1997 Water and Sewer Bonds, and \$1,640 of the 1999 Water and Sewer Bonds. As a result, the bonds are considered to be defeased and the liability for these bonds has been removed. The net carrying amount of the old debt exceeded the reacquisition price by \$247. The City advance refunded the bonds to reduce its total debt service payments by \$1,420 and to obtain an economic gain of \$1,029 (present value). The book loss on this refunding was \$247.

Defeased Debt Outstanding

In prior years, the City defeased certain general obligation and revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's financial statements. At September 30, 2007, the following general obligation and revenue bonds were considered defeased:



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General Obligation and Revenue Bonds:

General Obligation Bonds

Series 2000 CO TIF #2	\$ 20,680
Series 2000A CO	3,020
Series 2000 A GO	3,880
Series 2000 GO	<u>3,485</u>

Total	<u>\$ 31,065</u>
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Revenue Bonds

Series 1996	\$ 1,710
Series 1997	4,105
Series 1999	<u>1,640</u>

Total	<u>\$ 7,455</u>
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**8. EMPLOYEES' RETIREMENT SYSTEM**

Plan Description—The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory hybrid, defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150% or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contributions rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing

CITY OF GRAPEVINE, TEXAS

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body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions—The contribution rate for the employees is 7%, and the City's average contribution rate for fiscal year 2007 is 12.84%. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. When the City periodically adopted updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. The unfunded actuarial liability is being amortized over the 25-year period, which began January 1997 and is currently open. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 2006 valuation is effective for rates beginning January 2008). The City of Grapevine is one of 821 municipalities having the benefit plan administered by TMRS. Each of the 821 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2006 valuations are contained in the 2006 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

The Board set an eight-year implementation schedule for the phase-in of full contribution rates.

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Many TMRS cities may see higher annual contribution rates if they retain their current benefit choices. If a city sees an increase of greater than .5% of payroll, the increase due to these changes may be phased in evenly over an eight-year period, beginning in 2009. A change in TMRS Actuarial Cost Method will provide advance funding of annually repeating benefits.

For 2007, the City's annual pension cost of \$6,030 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), (b) no projected salary increases, (c) no cost of living adjustment, and (d) a 3.5% inflation rate adjustment. The actuarial value of assets is adjusted cost for bonds (original cost adjusted for amortization of premium or accrual of discount) and original cost for short-term securities and stocks, which is the same as book value. The City's unfunded actuarial accrued liability is being amortized over a constant 25-year open amortization period as a level percentage of payroll.

The following table discloses three-year historical trend information relating to the TMRS plan.

	December 31, 2006	December 31, 2005	December 31, 2004
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	\$ 6,030	\$ 5,636	\$ 5,531
Interest on NPO			
Adjustment to the ARC	\$ -	\$ -	\$ -
Contributions Made	\$ 6,030	\$ 5,636	\$ 5,531
Increase in NPO			
NPO at the end of the period	\$ -	\$ -	\$ -

CITY OF GRAPEVINE, TEXAS

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Actuarial Assumptions

	<u>December 31, 2006</u>	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Actuarial Cost Method	Unit Credit	Unit Credit	Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 Years - Open Period	25 Years - Open Period	25 Years - Open Period
Asset Value Method	Amortized Cost	Amortized Cost	Amortized Cost
Investment Rate of Return	7%	7%	7%
Projected Salary Increase	None	None	None
Includes Inflation At	3.50%	None	None
Cost-of-Living Adjustments	None	None	None

Future Funding Requirements—At the December 2007 meeting the TMRS Board adopted the following changes that will affect the City's future contribution rates:

The Board adopted the Projected Unit Credit actuarial cost method for all TMRS city plans.

The Board adopted a closed amortization period of 30 years, although some cities may remain at 25 years if they do not experience increases in their contribution rates. The City of Grapevine has made no decision at this time to change the amortization rate from 25 years to 30 years.

The Board adopted the results of an actuarial experience study, including a 7% investment income assumption.

**9. COMMITMENTS AND CONTINGENCIES**

The City is defendant in several pending lawsuits. City management estimates, based on the advice of legal counsel, that the potential claims against the City, in excess of insurance coverage, would not materially affect the basic financial statements of the City. The City participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability that may arise as the result of these audits is not believed to be estimatable or probable.

Gaylord Resort and Convention Center:

The City of Grapevine, Texas has a Memorandum of Understanding with Opryland Hotel—Texas, Limited Partnership whereas one cent (\$.01) of the Hotel Occupancy Tax [currently six cents (\$.06)]

## CITY OF GRAPEVINE, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS FISCAL YEAR ENDED SEPTEMBER 30, 2007 (amounts expressed in thousands)

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collected by the City from the Project for the immediately preceding Fiscal Year shall be remitted each year to Gaylord Entertainment, Inc. Expenditure accrued as of fiscal year end 2007 was \$698. Amount remitted during fiscal year 2007 was \$653 (based on collections by the City from the Project for fiscal year 2006). The \$653 was a fiscal year 2006 expenditure and remitted in fiscal year 2007 per contract.

#### Great Wolf Lodge:

The City of Grapevine, Texas entered into an incentive agreement with Great Wolf Resorts, Inc. under Chapter 380 of the Texas Local Government Code. The Developer must complete the project to construct a family oriented resort hotel featuring an indoor water park to be known as the "Great Wolf Lodge". The Project is to be completed in two phases. In consideration of the Developer's completion of the Project, the City agrees to provide the following incentives. For a period of ten years after the issuance of a Certificate of Occupancy for Phase I, the city shall annually grant an amount to Developer equal to one cent (\$.01) of the Hotel Occupancy Tax rate [currently six cents (\$.06)] collected by the City from Phase I of the Project for the immediately preceding Fiscal Year. For a period of ten years after the issuance of a Certificate of Occupancy for Phase I, the city shall annually grant an amount to Developer equal to one cent of the Hotel Occupancy Tax rate [currently six cents (\$.06)] collected by the City from Phase II of the Project for the immediately preceding Fiscal Year. The City shall annually provide a grant in an amount equal to one half of one cent of the municipal sales tax revenue collected on the "Property" for a period of ten (10) years following the opening of Phase II. No incentives were earned by Great Wolf Lodge nor paid by the City as of September 30, 2007.

#### Henry Schein:

The City of Grapevine, Texas entered into a rebate agreement with Henry Schein, Inc. on March 6, 2007 for the rebate of Sales Tax Receipts from the one percent (1 %) sales and use tax under Chapter 321 of the Texas Tax Code. The amount of the rebate is eighty seven and one half percent (87.5 %) of the sales tax receipts for the sale of taxable items at the Henry Schein facility in Grapevine, TX. The rebate does not apply to the one half of one percent (.5 %) sales and use tax imposed on behalf of the Grapevine 4B Economic Development Corporation and one half of one percent (.5 %) sales and use tax imposed on behalf of the Grapevine Crime Control and Prevention District. The initial term of the agreement begins on April 1, 2007 and continues until the tenth anniversary date of the commencement date. There after, the term of this agreement shall be automatically renewed for two (2) successive terms of ten (10) years each. Rebate amounts earned by Henry Schein, Inc. totaled \$294, including \$70 accrued but not paid as of September 30, 2007.

## **10. RISK RETENTION**

The City of Grapevine is exposed to various risks of loss related to tort liability, theft of and damage to property and destruction of assets; public officials' errors and omissions; bodily injury and property damage; injury to employees and natural disasters. During fiscal year 1987 the City of Grapevine established a risk management program to account for and finance its risk of loss. In fiscal year 1991, the Risk Management program was expanded to include implementation of the SIR (Self Insured Retention) plan. Under this plan the City provided insurance protection for all known exposures, including all third party liability, law enforcement liability, public officials' errors and omissions, and all bodily injury and property damage arising out of the City's operations on a insured basis with various retentions up to \$1,000 per occurrence. In addition, the City provides protection for all its real property

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on a blanket building basis, including contents with agreed values and replacement costs. The City provides statutory workers' compensation for all employees for bodily injury and indemnity loss of wages. The City provides liability protection for all its commercial auto vehicles (fleet) on an insured basis up to \$1,000 per occurrence. The City also provides \$5,000 excess umbrella liability over all liability exposures. The City's loss experience has been very favorable with the experience modifier of .50 in the City's workers' compensation plan and similar loss ratios in the City's property and casualty insurance fund. The City purchases commercial insurance for claims in excess of its retention provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past twenty fiscal years, nor has the City experienced significant reductions in coverage. All funds of the City participate in the program and make payments to the general fund based on actuarial estimates of the amounts needed to pay prior and current year premiums and claims. All third party liability and property protection is provided by A+ rated insurance carriers as defined by Best Key Rating Guide, A.M. Best Company. All workers' compensation protection afforded the employees of the City of Grapevine is through the Texas Municipal League Risk Retention Pool (TML Intergovernmental Risk Pool -Texas Municipal League, 211 E. 7th Street, Austin, Texas 78701). Risk Management identifies risk of loss to the government entity and provides ample protection for exposures to their loss.

The City establishes the insurance claim liability based on estimates of the ultimate cost of claims reported but unsettled and of claims incurred but not reported. Any claims incurred and not reported are not believed to be significant to the City's financial statements. Activity for the last two years is as follows:

	<u>2007</u>	<u>2006</u>
Claims payable at beginning of year	\$ 346	\$ 481
Current year claims and changes in estimates	3,771	3,705
Payments on claims	<u>3,676</u>	<u>3,840</u>
Claims payable at end of year	<u>\$ 441</u>	<u>\$ 346</u>

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**11. WATER STORAGE RIGHTS**

Water storage rights of \$ 683 net of accumulated amortization of \$451, represent rights in the Federal Reservoir at Lake Grapevine purchased through a long-term contract with the federal government and are recorded at cost, with amortization being recorded using the straight-line method over the initial term of the contract of 40 years. Approximately 13 years remains on the contract.

**12. IMPACT FEES**

The City records impact fees received in excess of the cost of physical connection to the Water and Sewer system as revenues. Corresponding cash is recorded as a restricted asset for future expansion of the Water and Sewer system.

**13. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances do not lapse at year-end and are reported as reservations of fund balances because they do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year.

**14. DEFERRED CHARGES—WATER AND SEWER FUND**

Deferred charges consist of expenses incurred in connection with the issue of certain outstanding revenue bonds. Such charges are amortized on a straight-line basis over the lives of the respective bonds.

**15. WATER AND SEWER CONTRACTS**

The City has separate contracts with the Trinity River Authority of Texas ("TRA") for the purchase of treated water and for the transportation, treatment and disposal of wastewater, which expire in 2014 and 2023, respectively. The contracts require the City to pay varying amounts based on the costs associated with water purchased and wastewater transported and/or treated and disposed. The costs include the City's proportionate share of TRA's operating and maintenance expenses, related debt service costs, plus certain other miscellaneous charges.

Payments during 2007 for the purchase of treated water were \$4,800 and payments made for the transportation, treatment, and disposal of wastewater by TRA were \$1,066. If the City were unable to fulfill its obligations under the contracts, the only liability for future payment would be its proportionate share of debt service requirements. In addition, the City does not retain an ongoing financial interest in TRA and has no representation on the TRA Board; therefore, the TRA contracts are not considered to be joint venture agreements.

CITY OF GRAPEVINE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED SEPTEMBER 30, 2007  
(amounts expressed in thousands)

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**16. OTHER POSTEMPLOYMENT BENEFITS—(UNAUDITED)**

The City is not required to implement GASB 45 until fiscal year 2009, and has not implemented early. An independent actuarial valuation of the assets and benefit values associated with the City financed retiree health benefits was conducted. Based on the results of the evaluation the following information was provided.

The present value of all benefits expected to be paid to current plan members as of December 31, 2006 is \$23,352. The actuarial accrued liability, which is the portion of the \$23,352 attributable to service accrued by plan members as of December 31, 2006, is \$14,973. As of December 31, 2006, there is \$0 in valuation assets available to offset the liabilities of the plan. The funded status of the plan, which is the ratio of plan assets to actuarial accrued liability, as of December 31, 2006 is 0.00%. The annual required contribution (ARC) for the fiscal year 2008 would be \$2,423 based on this evaluation.

**17. SUBSEQUENT EVENT**

On November 20, 2007 the City Council approved the resolution of the Industrial Development Corporation Board authorizing the Senior Air Cargo Revenue Bonds, Series 2007 that were issued by Aero DFW II, LP Project. The funds will be used to complete a project at the DFW Airport to acquire three air cargo buildings. There is no financial obligation for either the Industrial Development Corporation or the City for this action.



## **REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF PENSION FUNDING PROGRESS- TMRS PLAN  
AS OF SEPTEMBER 30, 2007 (UNAUDITED)  
(amounts expressed in thousands)

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Actuarial Valuation Date	<u>December 31, 2006</u>	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Actuarial Value of Assets	\$ 74,274	\$ 69,120	\$ 68,116
Actuarial Accrued Liability	\$ 93,088	\$ 85,710	\$ 83,434
Percentage Funded	79.8 %	80.6 %	81.6 %
Unfunded (over-funded) Actuarial Accrued Liability (UAAL)	\$ 18,814	\$ 16,590	\$ 15,318
Annual Covered Payroll	\$ 28,760	\$ 27,563	\$ 28,260
UAAL as a Percentage of Covered Payroll	65.4 %	60.2 %	54.2 %

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007 (UNAUDITED)  
 (amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP Basis	Final Budget— Positive (Negative)
REVENUES:				
Taxes	\$ 32,508	\$ 34,754	\$ 34,753	\$ (1)
Licenses and permits	1,356	1,780	1,776	(4)
Intergovernmental	81	107	100	(7)
Charges for services	5,038	5,799	5,795	(4)
Fines and forfeits	1,782	1,608	1,607	(1)
Interest and miscellaneous	260	876	886	10
Total revenues	41,025	44,924	44,917	(7)
EXPENDITURES:				
Current:				
General government	15,658	15,405	15,345	60
Public safety	18,396	14,274	14,710	(436)
Culture and recreation	6,321	6,678	6,650	28
Public works	4,792	4,531	4,514	17
Capital outlay		6	14	(8)
Other and fiscal			6	(6)
Total expenditures	45,167	40,894	41,239	(345)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,142)	4,030	3,678	(352)
OTHER FINANCING SOURCES (USES):				
Transfers in	4,569	2,417	2,417	
Transfers out	(599)	(4,461)	(4,461)	
Total other financing sources (uses)	3,970	(2,044)	(2,044)	
Net change in fund balance	\$ (172)	\$ 1,986	\$ 1,634	\$ (352)
Fund balances—beginning			6,595	
Fund balances—ending			\$ 8,229	

HOTEL OCCUPANCY TAX  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007 (UNAUDITED)  
 (amounts expressed in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Final Budget—</u> <u>Positive (Negative)</u>
REVENUES:				
Taxes	\$ 9,326	\$ 10,131	\$ 10,126	\$ (5)
Charges for services	1,705	5,026	4,931	(95)
Interest and miscellaneous	<u>75</u>	<u>107</u>	<u>173</u>	<u>66</u>
Total revenues	<u>11,106</u>	<u>15,264</u>	<u>15,230</u>	<u>(34)</u>
EXPENDITURES:				
Current:				
Culture and recreation	8,660	12,651	12,633	(18)
Capital outlay	<u>92</u>	<u>428</u>	<u>425</u>	<u>(3)</u>
Total expenditures	<u>8,752</u>	<u>13,079</u>	<u>13,058</u>	<u>(21)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,354</u>	<u>2,185</u>	<u>2,172</u>	<u>(13)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in				
Transfers out	<u>(1,342)</u>	<u>(1,462)</u>	<u>(1,462)</u>	
Total other financing sources (uses)	<u>(1,342)</u>	<u>(1,462)</u>	<u>(1,462)</u>	
Net change in fund balance	<u>\$ 1,012</u>	<u>\$ 723</u>	<u>\$ 710</u>	<u>\$ (13)</u>
Fund balances—beginning			<u>1,946</u>	
Fund balances—ending			<u>\$ 2,656</u>	

## **OTHER SUPPLEMENTARY INFORMATION**



## **NONMAJOR GOVERNMENTAL FUNDS**

**Township Revitalization**—to account for revenues and expenditures relating to preserving the architectural heritage of the original Township of the City of Grapevine.

**Grant Fund**—to account for state and federal funded environmental grants.

**Special Revenue**—to account for revenues that are restricted in nature for a special purpose limited by state law and management intentions for expenditures. These funds include monies for federal and state forfeiture, copier service and replacement, library and parks programs and policy in-service training.

**Storm Drainage**—to account for the services in the management and acquisition of capital for stormwater drainage utility projects in the City.

**Lake Parks**—to account for revenues from the campgrounds at Lake Grapevine. Revenues are restricted in accordance with Army Corp. of Engineer requirements and for debt covenant requirements for bonds issued for campground construction.

**Crime District**—to account for the accumulation and use of half-cent sales tax proceeds dedicated for crime prevention and reduction programs.

**The 4B Transit Fund**—to account for the accumulation and expenditure of resources used to fund Grapevine's participation in the commuter rail development project with the Fort Worth Transit Authority (The "T").

**4B Economic Development**—to account for the accumulation and expenditure of resources used to stimulate the local economy, development, and redevelopment.

The Tax Increment Financing (TIF) Number Two Debt Service Fund was established by ordinances authorizing the issuance of Combination Tax and Tax Increment Reinvestment Zone Certificate of Obligation Series 2000. A property tax is levied for the payment of the debt as it become due and is currently payable in annual installments as it becomes due.

The Tax Increment Financing (TIF) Number Two Capital Projects Fund was established for the financing, acquisition and construction of the infrastructure surrounding Gaylord Texas Resort and Convention Center.

**Parks Open Space and Recreation**—to account for the financing, acquisition, and construction and improvement of parks and public recreation facilities.

**Street Maintenance and Capital Replacement**—to account for resources provided and expended on street maintenance and capital replacements.

**General Facilities and Equipment**—to account for general financing acquisitions, and construction and improvement of buildings and capital equipment.

**Capital Acquisition Fund**—to account for financial resources for the replacement and acquisition of capital assets.

**Quality of Life Fund**—to account for capital projects as designated by the city council.

## CITY OF GRAPEVINE, TEXAS

## COMBINING BALANCE SHEET—NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2007

(amounts expressed in thousands)

	Special Revenue Funds						
	Township Revitalization	Grant	Special Revenue	Storm Drainage	Crime District	Lake Parks	4B-Transit Fund
<b>ASSETS</b>							
Cash	\$ 238		\$ 2,206	\$ 2,199	\$ 11		\$ 687
Receivables:							
Accounts, net			16	973	9		
Accrued Interest	1		12	10			4
Due from other governments		\$ 1,044			1,791	\$ 47	1,456
Prepaid items					17		
Total assets	<u>\$ 239</u>	<u>\$ 1,044</u>	<u>\$ 2,234</u>	<u>\$ 3,182</u>	<u>\$ 1,828</u>	<u>\$ 47</u>	<u>\$ 2,147</u>
<b>LIABILITIES</b>							
Accounts payable		\$ 43	\$ 20	\$ 43	\$ 133	\$ 75	\$ 2,079
Accrued and other liabilities			1	12	294		
Due to other funds		988			606	255	
Deferred revenues							
Unearned revenues						40	
Contracts and retainage payable		13					
Total liabilities		<u>1,044</u>	<u>21</u>	<u>55</u>	<u>1,033</u>	<u>370</u>	<u>2,079</u>
<b>FUND BALANCES</b>							
Reserved for:							
Prepaid items					17	5	
Debt service							
Capital projects				284			
Unreserved, reported in:							
Special revenue funds:							
Designated for capital projects	\$ 239						68
Undesignated			2,213		778		
Capital projects funds:							
Designated for construction							
Undesignated				2,843		(328)	
Total fund balances (deficit)	<u>239</u>		<u>2,213</u>	<u>3,127</u>	<u>795</u>	<u>(323)</u>	<u>68</u>
Total liabilities and fund balances	<u>\$ 239</u>	<u>\$ 1,044</u>	<u>\$ 2,234</u>	<u>\$ 3,182</u>	<u>\$ 1,828</u>	<u>\$ 47</u>	<u>\$ 2,147</u>



4B-Economic Development	Debt Service	Capital Projects Funds						Total
	TIF #2	TIF #2	Parks Open Space and Recreation	Street Maintenance and Capital Replacement	General Facilities and Equipment	Capital Acquisition Fund	Quality of Life	Other Governmental Funds
\$ 899	\$ 3,581	\$ 2,164	\$ 104	\$ 596	\$ 1,117	\$ 5,943	\$ 3,663	\$ 23,408
	358							1,356
5	20			3	3	17		75
485								4,823
								17
<u>\$ 1,389</u>	<u>\$ 3,959</u>	<u>\$ 2,164</u>	<u>\$ 104</u>	<u>\$ 599</u>	<u>\$ 1,120</u>	<u>\$ 5,960</u>	<u>\$ 3,663</u>	<u>\$ 29,679</u>
				\$ 27	\$ 89	\$ 207	\$ 27	\$ 2,743
								307
								1,849
	\$ 358							358
			\$ 55					95
		\$ 6			88			107
	358	6	55	27	177	207	27	5,459
								22
	3,601							3,601
								284
\$ 1,389								1,696
								2,991
		86			669	1,887	3,636	6,278
		2,072	49	572	274	3,866		9,348
1,389	3,601	2,158	49	572	943	5,753	3,636	24,220
<u>\$ 1,389</u>	<u>\$ 3,959</u>	<u>\$ 2,164</u>	<u>\$ 104</u>	<u>\$ 599</u>	<u>\$ 1,120</u>	<u>\$ 5,960</u>	<u>\$ 3,663</u>	<u>\$ 29,679</u>

## CITY OF GRAPEVINE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE—NONMAJOR  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007  
 (amounts expressed in thousands)

	Special Revenue Funds						
	<u>Township Revitalization</u>	<u>Grant</u>	<u>Special Revenue</u>	<u>Storm Drainage</u>	<u>Crime District</u>	<u>Lake Parks</u>	<u>4B-Transit Fund</u>
REVENUES							
Property taxes							
Sales tax					\$ 5,110		\$4,128
Charges for services			\$ 464	\$ 1,309		\$ 488	
Intergovernmental		\$ 753	31			47	
Contributions			18				
Earnings on investments	\$ 11		1	102	16		12
Miscellaneous and other				16	6	7	
	<u>11</u>	<u>753</u>	<u>514</u>	<u>1,427</u>	<u>5,132</u>	<u>542</u>	<u>4,140</u>
Total Revenues							
EXPENDITURES:							
Operations	49	386	97	778		622	4,072
Interest expense							
Capital outlay		367	34	19		13	
Debt service principle							
Public safety					4,337		
Culture and recreation			127				
Other				1			
	<u>49</u>	<u>753</u>	<u>258</u>	<u>798</u>	<u>4,337</u>	<u>635</u>	<u>4,072</u>
Total Expenditures							
EXCESS(DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(38)		256	629	795	(93)	68
OTHER FINANCING SOURCES (USES)							
Transfers in	50						
Transfers out				(287)			
Proceeds from issuance of debt							
Premium on issuance							
Discount on issuance of debt							
	<u>50</u>	<u></u>	<u></u>	<u>(287)</u>	<u></u>	<u></u>	<u></u>
Total other financing sources (uses)							
Net change in fund balances	12		256	342	795	(93)	68
Fund balances (deficit) - beginning	227		1,957	2,785		(230)	
Fund balances (deficit) - ending	\$ 239	\$	\$ 2,213	\$ 3,127	\$ 795	\$ (323)	\$ 68

4B-Economic Development	Debt Service	Capital Projects Funds						Total
	TIF #2	TIF #2	Parks Open Space and Recreation	Street Maintenance and Capital Replacement	General Facilities and Equipment	Capital Acquisition Fund	Quality of Life	Other Governmental Funds
\$ 1,376	\$ 3,574							\$ 3,574
								10,614
								2,261
								831
			\$ 26					44
14	143	\$ 125	6	\$ 28	\$ 64	\$ 271		793
				6		88		123
<u>1,390</u>	<u>3,717</u>	<u>125</u>	<u>32</u>	<u>34</u>	<u>64</u>	<u>359</u>		<u>18,240</u>
1		238	1	277	25			6,546
	1,687							1,687
		178	15	38	2,846	2,089	\$ 166	5,765
							60	4,337
	<u>1,539</u>	<u>5</u>		<u>347</u>	<u>38</u>	<u>598</u>		<u>187</u>
								<u>2,528</u>
<u>1</u>	<u>3,226</u>	<u>421</u>	<u>16</u>	<u>662</u>	<u>2,909</u>	<u>2,687</u>	<u>226</u>	<u>21,050</u>
<u>1,389</u>	<u>491</u>	<u>(296)</u>	<u>16</u>	<u>(628)</u>	<u>(2,845)</u>	<u>(2,328)</u>	<u>(226)</u>	<u>(2,810)</u>
			10	599	518		3,862	5,039
			(42)					(329)
					2,250	3,360		5,610
						2		2
			(32)	599	2,768	3,362	3,862	10,322
1,389	491	(296)	(16)	(29)	(77)	1,034	3,636	7,512
	<u>3,110</u>	<u>2,454</u>	<u>65</u>	<u>601</u>	<u>1,020</u>	<u>4,719</u>		<u>16,708</u>
<u>\$ 1,389</u>	<u>\$ 3,601</u>	<u>\$ 2,158</u>	<u>\$ 49</u>	<u>\$ 572</u>	<u>\$ 943</u>	<u>\$ 5,753</u>	<u>\$ 3,636</u>	<u>\$ 24,220</u>

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007  
 (amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	GAAP Basis	Final Budget— Positive (Negative)
REVENUES:				
Taxes	\$ 11,821	\$ 11,766	\$ 11,767	\$ 1
Interest and miscellaneous	<u>448</u>	<u>448</u>	<u>749</u>	<u>301</u>
Total revenues	12,269	12,214	12,516	302
EXPENDITURES:				
Debt service:				
Principal	8,668	8,182	8,182	
Interest and fiscal charges	3,948	3,920	3,920	
Total expenditures	<u>12,616</u>	<u>12,102</u>	<u>12,102</u>	
EXCESS(DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(347)</u>	<u>112</u>	<u>414</u>	<u>302</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>447</u>	<u>302</u>	<u>301</u>	<u>(1)</u>
Total other financing sources (uses)	<u>447</u>	<u>302</u>	<u>301</u>	<u>(1)</u>
Net change in fund balance	\$ 100	\$ 414	\$ 715	\$ 301
Fund balances—beginning, as restated			<u>3,233</u>	
Fund balances—ending			<u>\$ 3,948</u>	

STATEMENT OF CHANGES IN NET ASSETS—AGENCY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

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	October 1, <u>2006</u>	<u>Additions</u>	<u>Deductions</u>	September 30, <u>2007</u>
POLICE DEPARTMENT CASE SETTLEMENT:				
ASSETS - Cash and cash equivalents	<u>          </u>	<u>\$ 8</u>	<u>          </u>	<u>\$ 8</u>
LIABILITIES - Accounts payable	<u>          </u>	<u>\$ 8</u>	<u>          </u>	<u>\$ 8</u>
INDUSTRIAL DEVELOPMENT CORPORATION:				
ASSETS - Cash and cash equivalents	<u>\$ 111</u>	<u>\$ 6</u>	<u>          </u>	<u>\$ 117</u>
LIABILITIES - Accounts payable	<u>\$ 111</u>	<u>\$ 6</u>	<u>          </u>	<u>\$ 117</u>
TOTAL ALL AGENCY FUNDS:				
ASSETS - Cash and cash equivalents	<u>\$ 111</u>	<u>\$ 14</u>	<u>          </u>	<u>\$ 125</u>
LIABILITIES - Accounts payable	<u>\$ 111</u>	<u>\$ 14</u>	<u>          </u>	<u>\$ 125</u>

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**STATISTICAL SECTION  
(UNAUDITED)**





## STATISTICAL SECTION (Unaudited)

This part of the City of Grapevine's comprehensive annual financial report presents detailed information as a context for understanding what the information says about the government's overall financial health.

### Contents

Financial Trends	Tables 1 – 4
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	Tables 5 – 8
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	Tables 9 - 13
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	Tables 14 - 15
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	Tables 16 – 18
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

CITY OF GRAPEVINE, TEXAS  
NET ASSETS BY COMPONENT

Table 1

Last Five Fiscal Years

(accrual basis of accounting)

(Unaudited) (Amounts expressed in thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 10,004	\$ 8,757	\$ 16,729	\$ 21,862	\$ 28,660
Restricted	8,387	14,106	14,625	21,049	32,626
Unrestricted	9,465	9,607	12,957	16,653	18,198
Total governmental activities net assets	<u>\$ 27,856</u>	<u>\$ 32,470</u>	<u>\$ 44,311</u>	<u>\$ 59,564</u>	<u>\$ 79,484</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 57,118	\$ 57,643	\$ 60,931	\$ 63,936	\$ 65,750
Restricted	5,016	5,312	6,421	6,784	7,228
Unrestricted	8,727	11,374	10,407	13,012	14,382
Total business-type activities net assets	<u>\$ 70,861</u>	<u>\$ 74,329</u>	<u>\$ 77,759</u>	<u>\$ 83,732</u>	<u>\$ 87,360</u>
Primary government					
Invested in capital assets, net of related debt	\$ 67,122	\$ 66,400	\$ 77,660	\$ 85,798	\$ 94,410
Restricted	13,403	19,418	21,046	27,833	39,854
Unrestricted	18,192	20,981	23,364	29,665	32,580
Total primary government net assets	<u>\$ 98,717</u>	<u>\$ 106,799</u>	<u>\$ 122,070</u>	<u>\$ 143,296</u>	<u>\$ 166,844</u>

Notes: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Source: Comprehensive Annual Financial Reports

CITY OF GRAPEVINE, TEXAS  
CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS  
(accrual basis of accounting)  
(Unaudited) (Amounts expressed in thousands)

Table 2

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 13,062	\$ 12,382	\$ 14,564	\$ 13,964	\$ 19,150
Public safety	16,366	17,598	19,094	19,174	20,732
Culture and recreation	14,070	16,090	17,055	19,978	21,914
Public works	14,342	10,363	9,077	9,502	12,777
Interest on long term debt	7,603	7,683	5,993	6,579	6,634
Total governmental activities expenses	<u>65,443</u>	<u>64,116</u>	<u>65,783</u>	<u>69,197</u>	<u>81,207</u>
Business-type activities:					
Water and sewer	15,231	15,049	14,975	15,944	15,494
Golf	2,648	2,842	2,673	2,664	2,668
Total business-type activities expenses	<u>17,879</u>	<u>17,891</u>	<u>17,648</u>	<u>18,608</u>	<u>18,162</u>
Total primary government expenses	<u>\$ 83,322</u>	<u>\$ 82,007</u>	<u>\$ 83,431</u>	<u>\$ 87,805</u>	<u>\$ 99,369</u>
<b>Program Revenues</b>					
Governmental activities:					
Fees, fines, and charges for services:					
General government	\$ 3,843	\$ 4,298	\$ 1,362	\$ 1,148	\$ 3,535
Public safety	2,123	2,260	2,029	3,282	3,280
Culture and recreation	4,842	5,362	5,369	6,306	6,908
Public works	2,710	1,346	2,877	2,782	3,085
Operating grants and contributions	1,893	1,813	1,944	805	2,310
Capital grants and contributions	1,108	597	2,732	3,759	785
Total governmental activities program revenues	<u>16,519</u>	<u>15,676</u>	<u>16,313</u>	<u>18,082</u>	<u>19,903</u>
Business-type activities:					
Charges for services:					
Water and sewer	16,308	16,595	17,929	20,348	17,689
Lake Enterprise	2,159	2,500	2,630	2,890	2,712
Capital grants and contributions	2,987	1,172	1,049	1,690	833
Total business-type activities program revenues	<u>21,454</u>	<u>20,267</u>	<u>21,608</u>	<u>24,928</u>	<u>21,234</u>
Total primary government program revenues	<u>\$ 37,973</u>	<u>\$ 35,943</u>	<u>\$ 37,921</u>	<u>\$ 43,010</u>	<u>\$ 41,137</u>

(continued)

**Notes:** The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**Source:** Comprehensive Annual Financial Reports

CITY OF GRAPEVINE, TEXAS  
 CHANGES IN NET ASSETS, LAST FIVE FISCAL YEARS  
 (accrual basis of accounting)  
 (Unaudited) (Amounts expressed in thousands)

Table 2

	2003	2004	2005	2006	2007
<b>Net (Expense) Revenue</b>					
Governmental activities	\$ (48,924)	\$ (48,440)	\$ (49,470)	\$ (51,115)	\$ (61,304)
Business-type activities	3,575	2,376	3,960	6,320	3,072
Total primary government net expense	<u>\$ (45,349)</u>	<u>\$ (46,064)</u>	<u>\$ (45,510)</u>	<u>\$ (44,795)</u>	<u>\$ (58,232)</u>
<b>General Revenues</b>					
<b>and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes:					
Ad valorem	\$ 22,769	\$ 23,600	\$ 26,066	\$ 26,046	\$ 27,066
Hotel occupancy	3,380	4,931	7,566	9,194	10,126
Sales (a)	16,040	17,976	18,746	19,993	31,827
Mixed beverage	578	686	863	952	1,128
Franchise fees	4,945	5,211	5,369	5,945	6,191
Investment earnings	1,107	620	1,099	2,187	3,257
Miscellaneous	155	29	101	310	124
Gain (loss) on sale	(58)				
Transfers			1,501	1,741	1,505
Total governmental activities	<u>48,916</u>	<u>53,053</u>	<u>61,311</u>	<u>66,368</u>	<u>81,224</u>
Business-type activities:					
Investment earnings	541	397	648	1,035	1,437
Miscellaneous	103	696	323	359	624
Transfers			(1,501)	(1,741)	(1,505)
Total Business-type activities	<u>644</u>	<u>1,093</u>	<u>(530)</u>	<u>(347)</u>	<u>556</u>
Total primary government	<u>\$ 49,560</u>	<u>\$ 54,146</u>	<u>\$ 60,781</u>	<u>\$ 66,021</u>	<u>\$ 81,780</u>
<b>Change in Net Assets</b>					
Governmental activities	(8)	4,613	11,841	15,253	19,920
Business-type activities	4,220	3,469	3,430	5,973	3,628
Total primary government	<u>\$ 4,212</u>	<u>\$ 8,082</u>	<u>\$ 15,271</u>	<u>\$ 21,226</u>	<u>\$ 23,548</u>

(concluded)

**Notes:** The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

(a) In April, 2007 the City increased sales tax local option from 1% to 2% resulting in additional sales tax revenues of \$10,614 in FY 2007.

**Source:** Comprehensive Annual Financial Reports

CITY OF GRAPEVINE, TEXAS  
FUND BALANCES, GOVERNMENTAL FUNDS  
Last Five Fiscal Years  
(modified accrual basis of accounting)  
(Unaudited) (Amounts expressed in thousands)

Table 3

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Reserved *	\$ 678	\$ 1,543	\$ 1,290	\$ 691	\$ 667
Unreserved	5,427	3,018	3,981	5,904	7,562
Total general fund	<u>\$ 6,105</u>	<u>\$ 4,561</u>	<u>\$ 5,271</u>	<u>\$ 6,595</u>	<u>\$ 8,229</u>
All Other Governmental Funds					
Reserved for:					
Prepayments		\$ 402	\$ 392	\$ 64	\$ 76
Inventory	\$ 394				2
Debt service	9,355	11,716	15,478	21,906	26,778
Capital projects	33,151	19,763	14,810	20,983	284
Unreserved, reported in:					
Special revenue funds	728	482	1,724	4,071	7,289
Capital funds	2,134	4,509	4,391	4,484	28,753
Total all other governmental funds	<u>\$ 45,762</u>	<u>\$ 36,872</u>	<u>\$ 36,795</u>	<u>\$ 51,508</u>	<u>\$ 63,182</u>

**Note:** \*Includes encumbrances, inventory, advances to other funds, and prepaid items.

**Notes:** The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**Source:** Comprehensive Annual Financial Reports

CITY OF GRAPEVINE, TEXAS  
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 (Unaudited) (Amounts expressed in thousands)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<b>REVENUES:</b>				
Taxes:				
Ad valorem	\$ 13,859	\$ 16,986	\$ 18,568	\$ 19,729
Sales	10,556	13,058	14,341	16,048
Mixed beverage	428	462	508	538
Hotel occupancy tax	3,421	3,495	4,109	3,970
Franchise	3,232	3,582	3,987	4,399
Licenses and permits	1,247	1,163	1,494	1,146
Intergovernmental	982	737	231	4,538
Charges for services	4,199	6,452	6,493	7,274
Fines and forfeitures	1,599	1,850	2,360	2,150
Contributions				
Interest and miscellaneous	5,470	3,411	3,620	4,798
Total revenues	<u>44,993</u>	<u>51,196</u>	<u>55,711</u>	<u>64,590</u>
<b>EXPENDITURES:</b>				
General government	4,793	5,625	5,683	6,181
Public safety	12,102	13,249	15,405	17,641
Culture and recreation	8,315	10,245	11,674	13,717
Public works	4,188	5,062	5,658	6,067
Capital outlay	15,025	11,554	11,408	19,973
Management fees and operations				
Debt service:				
Principal	2,777	2,832	3,357	8,915
Interest and fiscal charges	6,151	6,928	6,424	7,815
Other				
Intergovernmental payment			3,800	
Total expenditures	<u>53,351</u>	<u>55,495</u>	<u>63,409</u>	<u>80,309</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(8,358)</u>	<u>(4,299)</u>	<u>(7,698)</u>	<u>(15,719)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bonds issued		\$ 9,200	\$ 39,250	\$ 16,893
Notes payable	\$ 73		3,800	
Refunding bonds issued		21,239		
Bond premium				
Bond discount				
Payments to escrow agent		(20,856)		
Proceeds from sale of fixed assets				143
Transfers in	7,532	4,064	2,636	3,513
Transfers out	(8,610)	(3,717)	(2,781)	(3,513)
Transfers to component units				
Total other financing sources (uses)	<u>(1,005)</u>	<u>9,930</u>	<u>42,905</u>	<u>17,036</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (9,363)</u>	<u>\$ 5,631</u>	<u>\$ 35,207</u>	<u>\$ 1,317</u>
<b>Debt service as a percentage of noncapital expenditures</b>	23.3%	22.2%	18.8%	27.7%

Source: Comprehensive Annual Financial Reports

Table 4

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$ 21,082	\$ 22,563	\$ 23,584	\$ 25,607	\$ 26,296	\$ 26,913
14,940	16,040	17,976	18,746	19,993	31,826
527	578	686	863	952	1,128
3,365	3,381	4,931	7,566	9,194	10,126
5,225	4,945	5,211	5,369	5,945	6,191
1,537	1,482	1,264	1,530	1,550	1,776
510	875	951	1,945	1,042	931
9,673	10,637	11,019	9,839	11,209	12,987
2,102	2,047	1,961	1,713	1,860	1,607
	49	488	418	423	393
4,939	3,544	1,853	2,156	4,895	4,354
<u>63,900</u>	<u>66,141</u>	<u>69,924</u>	<u>75,752</u>	<u>83,359</u>	<u>98,232</u>
11,687	12,168	12,897	14,379	14,355	15,345
15,532	15,846	16,168	17,187	17,527	19,047
13,154	12,818	14,541	15,071	17,015	19,470
4,773	4,771	5,101	4,945	4,840	4,514
25,657	9,545	10,612	8,425	8,235	8,290
	7,263	3,677	2,954	2,262	6,552
7,211	8,115	9,011	8,698	8,165	9,667
8,440	8,098	7,532	6,053	6,575	6,599
	1,203	819	2,918	1,451	2,557
<u>86,454</u>	<u>79,827</u>	<u>80,358</u>	<u>80,630</u>	<u>80,425</u>	<u>92,041</u>
<u>(22,554)</u>	<u>(13,686)</u>	<u>(10,434)</u>	<u>(4,878)</u>	<u>2,934</u>	<u>6,191</u>
\$ 1,375	\$ 19,280		\$ 46,245		\$ 5,610
246				\$ 11,385	
10,170	(10,745)				
			2,114	6	2
				(29)	
(3,653)					
4			(44,349)		
4,300	4,301	\$ 2,248	7,037	4,084	7,757
(3,957)	(3,951)	(2,248)	(5,536)	(2,343)	(6,252)
<u>8,485</u>	<u>8,885</u>	<u>-</u>	<u>5,511</u>	<u>13,103</u>	<u>7,117</u>
<u>\$ (14,069)</u>	<u>\$ (4,801)</u>	<u>\$ (10,434)</u>	<u>\$ 633</u>	<u>\$ 16,037</u>	<u>\$ 13,308</u>
25.7%	23.1%	23.7%	20.4%	20.4%	19.4%

## CITY OF GRAPEVINE, TEXAS

Table 5

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

(Unaudited) (Amounts expressed in thousands)

Fiscal Year	Estimated Market Value		Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property			
1998	\$ 3,371,000	\$ 1,677,000	\$ 1,795,000	\$ 3,253,000	0.4050
1999	3,699,000	1,744,000	1,824,000	3,619,000	0.3850
2000	4,042,000	2,198,000	2,159,000	4,081,000	0.3800
2001	4,579,000	2,254,000	2,478,000	4,355,000	0.3750
2002	5,704,000	2,274,000	3,205,000	4,773,000	0.3660
2003	5,973,000	2,324,000	3,531,000	4,766,000	0.3660
2004	6,204,000	2,248,000	3,572,000	4,880,000	0.3660
2005	6,461,000	2,391,000	3,625,000	5,227,000	0.3635
2006	6,647,000	2,224,000	3,514,000	5,357,000	0.3625
2007	7,026,000	2,068,000	3,684,740	5,409,260	0.3625

**Source:** Grapevine/Colleyville ISD Tax Assessor's Office and Tarrant County Appraisal District



## CITY OF GRAPEVINE, TEXAS

Table 6

## DIRECT AND OVERLAPPING PROPERTY TAX RATES (per \$100 of assessed value)

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	City Direct Rates			Overlapping Rates				
	Operating/ General Rate	General Obligation Debt Service	Total Direct	Junior College	School District	Hospital District	County	Total
1998	0.2770	0.1280	0.4050	0.058	1.540	0.234	0.265	2.502
1999	0.2187	0.1663	0.3850	0.106	1.540	0.234	0.265	2.530
2000	0.2020	0.1780	0.3800	0.106	1.550	0.234	0.265	2.535
2001	0.1896	0.1854	0.3750	0.106	1.580	0.234	0.275	2.570
2002	0.1359	0.2301	0.3660	0.106	1.610	0.234	0.275	2.591
2003	0.1489	0.2171	0.3660	0.139	1.660	0.234	0.275	2.674
2004	0.1237	0.2423	0.3660	0.139	1.700	0.235	0.272	2.712
2005	0.1416	0.2219	0.3635	0.139	1.700	0.235	0.273	2.711
2006	0.1285	0.2340	0.3625	0.139	1.700	0.235	0.273	2.709
2007	0.1150	0.2475	0.3625	0.131	1.324	0.234	0.242	2.293

**Source: Tarrant County Appraisal District**

**Note:** Tax rate limitations imposed by the Home Rules Section of the Texas Constitution, Article II, Section 5, provide that a maximum tax rate of \$2.50 per \$100 valuation may be imposed in any one year.

CITY OF GRAPEVINE, TEXAS  
PRINCIPAL PROPERTY TAX PAYERS

Table 7

Current Year and Nine Years Ago

(Unaudited) (Amounts expressed in thousands)

Taxpayer	2007			1998		
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	
American Airlines Inc.	\$ 351,880	6.5 %	American Airlines	\$ 580,012	17.8 %	
Gaylord Texan Resort and Conv. Ctr.	297,855	5.5	Delta Airlines	187,357	5.8	
Grapevine Mills Ltd. Partnership	204,391	3.8	Grapevine Mills Ltd. Partnership	148,472	4.6	
CAE Simuflite	167,403	3.1	Simmons airlines	144,271	4.4	
Gamestop	102,042	1.9	United Parcel Service, Inc.	61,896	1.9	
GTE	57,999	1.1	Simuflite Training International	55,384	1.7	
TXU Electric Delivery	49,918	0.9	Industrial Development International	46,090	1.4	
Atrium finance I Lp	47,773	0.9	Hertz Corporation, Rent-a-Car	42,968	1.3	
DCT Patriot Drive TXLP	44,576	0.8	Hayes Leasing Co., Inc.	30,778	1.0	
IDERAC Media Corp	42,186	0.8	Atlantic Southeast Airlines	29,842	0.9	
Total	\$ 1,366,023	25.3 %	Total	\$ 1,327,070	40.8 %	

Source: Tarrant County Tax Office (2007), GRAPEVINE CAFR (1998)

Table 8

CITY OF GRAPEVINE, TEXAS  
 PROPERTY TAX LEVIES AND COLLECTIONS  
 Last Ten Fiscal Years  
 (Unaudited) (Amounts expressed in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy			Collections in Subsequent Years		Total Collections		Delinquent Taxes	
		Amount	Percentage of Levy	%	Years		Amount	Percentage of Levy	Amount Outstanding	Percentage of Levy
1998	\$ 13,177	\$ 13,001	98.7	%	103	\$	\$ 13,104	99.4	\$ 803	6.1
1999	13,936	13,814	99.1		166		13,980	100.3	476	3.4
2000	15,371	15,280	99.4		57		15,337	99.8	510	3.3
2001	16,334	16,135	98.8		54		16,189	99.1	658	4.0
2002	17,432	17,151	98.4		147		17,298	99.2	843	4.8
2003	17,663	17,423	98.6		126		17,549	99.4	967	5.5
2004	18,044	17,859	99.0		124		17,983	99.7	1,020	5.7
2005	19,223	18,764	97.6		176		18,940	98.5	808	4.2
2006	19,182	18,945	98.8		109		19,054	99.3	829	4.3
2007	19,572	19,368	99.0		198		19,566	100.0	876	4.5

**Source:** Grapevine/Colleyville ISD Tax Assessor

Table 9

CITY OF GRAPEVINE, TEXAS  
 RATIO OF OUTSTANDING DEBT BY TYPE  
 Last Ten Fiscal Years  
 (Unaudited) (Amounts expressed in thousands)

Fiscal Year	Governmental Activities				Business-Type Activities						Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Certificates of Obligation	Other Obligations	Water and Sewer Obligations	General Obligation Bonds	Certificates of Obligation	Other Obligation						
1998	\$ 59,317	\$ 28,915	\$ 132	\$ 28,757			\$ 1,440	\$			118,561	1.58 %	\$ 3,120
1999	67,397	27,995	342	33,962			2,270				131,966	1.71	3,384
2000	72,680	58,600	4,473	31,743		\$ 5,635	1,375				174,506	2.08	4,363
2001	75,600	67,458	735	36,921		7,782	445				188,941	1.97	4,294
2002	77,495	72,940	2,204	35,101			785				188,525	1.68	4,098
2003	77,630	73,040	1,562	33,247			665				186,144	1.92	4,047
2004	72,140	69,735	1,138	26,300		4,935	542				174,790	1.78	3,719
2005	71,775	67,055	863	24,448		4,715	415				169,271	1.71	3,526
2006	71,755	70,600	521	22,545		4,485	282				170,188	1.72	3,473
2007	66,275	68,905	3,611	13,300	\$ 6,820	4,240	144				163,295	1.68	3,333

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

\*See Table 13 for personal income and population data.

CITY OF GRAPEVINE, TEXAS  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
Last Ten Fiscal Years  
(Unaudited) (Amounts expressed in thousands)

Table 10

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>
	(a) General Obligation Bonds	Certificates of Obligations	Total		
1998	\$ 59,317	\$ 28,915	\$ 88,232	2.71 %	\$ 2,322
1999	67,397	27,995	95,392	2.64	2,446
2000	72,680	58,600	131,280	3.22	3,282
2001	75,600	67,458	143,058	3.28	3,251
2002	77,495	72,940	150,435	3.15	3,270
2003	77,630	73,040	150,670	3.16	3,275
2004	72,140	69,735	141,875	2.91	3,019
2005	71,775	67,055	138,830	2.66	2,892
2006	71,755	70,600	142,355	2.66	2,905
2007	66,275	68,905	135,180	2.50	2,759

**Note:** Details regarding the city's outstanding debt can be found in the note 7 of the financial statements.

(a) The General Obligation bonds value of \$66,275 for 2007 do not present the General Obligation bonds issued to refund the Water Sewer bonds . These bonds are paid for with water and sewer revenues, not ad valorem taxes.

<sup>a</sup>See Table 5 for property value data.

<sup>b</sup>See Table 13 for population data.

## CITY OF GRAPEVINE, TEXAS

Table 11

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

As of September 30, 2007

(Unaudited) (amounts expressed in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Carroll Independent School District	\$ 153,367	4.52%	\$ 6,932
Coppell Independent School District	142,872	2.03%	2,900
Dallas County	92,137	0.12%	111
Dallas County Community College District	93,485	0.01%	9
Dallas County Hospital District	-	12.00%	-
Denton County	273,560	0.05%	137
Grapevine-Colleyville Independent School District	306,398	60.41%	185,095
Tarrant County	264,920	4.99%	13,220
Tarrant County Hospital District	30,330	4.99%	1,513
Tarrant County Junior College District	54,995	4.99%	2,744
		-	
Overlapping debt			<u>212,661</u>
Direct debt		100.00%	<u>163,295</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 375,956</u></u>

Source: First Southwest Company

CITY OF GRAPEVINE, TEXAS  
COMPUTATION OF LEGAL DEBT MARGIN  
As of Septemeber 30, 2007  
(Unaudited) (amounts expressed in thousands)

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Table 12

Tax rate limitations imposed by the Home Rules Section of the Texas Constitution, Article II, Section 5, provide that a maximum tax rate of \$2.50 per \$100 valuation may be imposed in any one year.

CITY OF GRAPEVINE, TEXAS  
 PLEDGED-REVENUE COVERAGE

Table 13

Last Ten Fiscal Years

(Unaudited) (Amounts expressed in thousands)

Fiscal Year	Waterworks and Sewer System Revenue Bonds				
	Total Revenues <sup>a</sup>	Less: Operating Expenses <sup>b</sup>	Net Available Revenue	Average Annual Requirement	Times Coverage
1998	\$ 12,622	\$ 7,820	\$ 4,802	\$ 2,124	2.26
1999	12,748	8,266	4,482	2,434	1.84
2000	16,260	9,945	6,315	2,380	2.65
2001	17,083	10,647	6,436	2,600	2.48
2002	16,743	10,802	5,941	2,511	2.37
2003	16,821	11,271	5,550	2,374	2.34
2004	16,988	10,854	6,134	2,266	2.71
2005	17,929	10,693	7,236	2,017	3.59
2006	20,348	11,636	8,712	2,021	4.31
2007	17,689	13,722	3,967	1,210	3.28

**Note:** <sup>a</sup>Includes operating revenues only

<sup>b</sup>Includes operating expenses minus depreciation plus transfers out.

**Source:** Comprehensive Annual Financial Report



CITY OF GRAPEVINE, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 Last Ten Calendar Years  
 (Unaudited) (Amounts expressed in thousands)

Table 14

Year	(1) Estimated Population	(1) Personal Income	(1) Per Capita Personal Income	(1) Median Age	(2) School Enrollment	(3) Unemployment Rate
1998	38	\$ 75	29	(4) N/A	13	2.10%
1999	39	77	31	32.7	13	1.60%
2000	40	84	33	33.1	14	1.60%
2001	44	96	38	33.7	13	2.60%
2002	46	112	42	32.8	14	3.30%
2003	46	97	36	33.6	14	3.40%
2004	47	98	36	33.5	14	2.80%
2005	48	99	37	33.7	14	3.50%
2006	49	99	37	34.1	13	3.50%
2007	49	97	36	34.4	14	3.50%

**Sources:**

- (1) CLARITAS Report.
- (2) Grapevine/Colleyville ISD
- (3) Texas Workforce Commission Web Site.
- (4) The National Planning Data Corp.

CITY OF GRAPEVINE, TEXAS  
PRINCIPAL PROPERTY TAX PAYERS

Table 15

Current Year and Nine Years Ago

(Unaudited) (Amounts expressed in thousands)

<u>Employer</u>	2007				1998			
	Taxable Assessed Value		Percentage of Total City Taxable Assessed Value	%	Taxable Assessed Value		Percentage of Total City Taxable Assessed Value	%
D/FW International Airport	16.0		33	%	33.0		87	%
Gaylord Texas Resort & Convention Center	2.0		4		2.0		5	
Grapevine/Collyville ISD	2.0		4		1.0		3	
United Parcel Service	1.0		2		1.0		3	
Baylor Medical Center	1.0		2		1.0		3	
Gamestop	1.0		2		1.0		3	
City of Grapevine	0.5		1		1.0		3	
D/FW Hilton Hotel	0.5		1		0.5		1	
SimuFlite Training International	0.3		1		0.5		1	
Apollo Paper/John Harland	0.2				0.3		1	
Total	24.5		50		41.3		110	

Source: City of Grapevine, Department of Development Services

CITY OF GRAPEVINE, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,  
 Last Ten Fiscal Years  
 (Unaudited) (Amounts expressed in whole numbers)

Function/Program	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government and Administration	61	69	75	78	80	79	78	80	78	78
Public Safety	203	202	208	216	222	228	228	231	231	230
Development Services	19	22	24	25	24	23	23	21	17	15
Culture and Recreational	112	112	116	146	147	148	150	153	162	159
Water and Sewer	41	48	48	49	50	51	50	48	50	51
Golf Course	24	27	28	30	31	32	32	31	31	31
Public Works	53	*	59	62	61	61	59	59	58	54
Total	<u>513</u>	<u>539</u>	<u>561</u>	<u>606</u>	<u>615</u>	<u>622</u>	<u>620</u>	<u>623</u>	<u>627</u>	<u>618</u>

Source: Annual Budget Report - City of Grapevine

\* Began Stormwater Drainage Fund FY 1998

CITY OF GRAPEVINE, TEXAS  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
Last Ten Fiscal Years  
(Unaudited) (Amounts expressed in whole numbers)

Table 17

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police										
Calls for service	22,602	25,346	23,253	25,266	23,894	28,732	32,555	28,976	36,360	45,815
Traffic citations	19,553	20,178	23,088	19,517	28,448	24,323	24,379	13,603	13,406	17,367
Criminal offenses	7,610	7,731	7,519	5,589	6,581	5,898	3,615	2,714	1,157	3,764
Fire										
Fire runs	2,761	3,002	3,229	3,341	3,891	4,283	3,746	3,856	4,171	3,601
Ambulance runs	2,426	2,502	2,691	3,029	2,820	3,080	3,737	3,168	4,151	3,056
Development Services										
Area in square miles	35	35	35	35	36	36	36	36	36	36
Cultural and Recreational										
Picnic Areas	28	28	28	28	35	35	35	35	35	35
Library										
Volumes	103,000	111,014	110,047	109,876	124,817	148,729	148,125	160,109	173,184	182,241
Annual Circulation	511,783	477,315	510,317	485,731	584,633	637,107	617,938	579,497	568,431	531,229
Water and Sewer										
Number of water connections	12,034	12,433	12,744	12,951	13,242	13,467	13,676	13,860	13,965	14,117
Average Daily Consumption MG (Water)	6.97	8.59	9.79	9.25	8.36	8.79	9.04	9.62	11.37	8.61
System Capacity - MG (Water)	23	23	23	23	21	22	23	24	24	24
Number of Sewer connections	12,128	11,572	12,501	11,924	12,185	12,198	12,461	12,686	12,866	12,860
Number of Refuse connections	12,128	10,835	11,005	11,007	11,206	11,289	11,484	11,673	12,180	11,279
Sewer system capacity (MGD)	4	6	6	6	6	6	6	6	6	8
Lake Enterprise										
Number of Golfers, Annually	74,045	74,225	74,855	71,562	63,690	62,352	74,183	77,282	74,000	66,874

Source: City Departments

Note: N/A - data not available.

\* Golf course included and land leased from Corp. of Engineers

CITY OF GRAPEVINE, TEXAS  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
Last Ten Fiscal Years  
(Unaudited) (Amounts expressed in thousands)

Table 18

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Police Stations	2	2	2	2	2	2	2	2	2	2
** Police Patrol Units	26	26	28	27	27	27	31	26	26	26
Fire Stations	4	4	5	5	5	5	5	5	5	5
Public Works										
Streets- Paved (miles)	185	185	185	185	178	179	180	180	180	180
Parks and Recreation										
Parks (acres maintained)	1,463	1,463	1,463	1,104	1,873	1,873	1,873	1,692	1,772	1,522
Playgrounds	31	31	31	31	35	35	35	35	34	34
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Recreation Centers	1	1	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	1	1
Central Library	1	1	1	1	1	1	1	1	1	1
Number of Golf Courses	1	1	1	1	1	1	1	1	1	1
Water										
Water Mains (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	247	280
Wastewater										
Sanitary Sewers (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	210	230

Source: City Departments

Note: N/A - data not available.

\* Golf course included and land leased from Corp. of Engineers

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## **FEDERAL AWARDS SECTION**







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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Council  
City of Grapevine, Texas

We have audited the basic financial statements of the City of Grapevine, Texas (the "City") as of and for the year ended September 30, 2007 and have issued our report thereon dated March 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



We noted certain matters that we reported to management of the City in a separate letter dated March 17, 2008.

This report is intended for the information of the City Council, the City management, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

March 17, 2008



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City Council  
City of Grapevine, Texas

### Compliance

We have audited the compliance of the City of Grapevine, Texas (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-01.

### Internal Control Over Compliance

The City management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-02 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The City's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended for the information of the City Council, the City management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

March 17, 2008





# CITY OF GRAPEVINE, TEXAS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2007

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### I. SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified  
not considered to be material weaknesses? None reported

Noncompliance material to financial  
statements noted? No

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified  
not considered to be material  
weakness(es)? Yes – refer to Item 07-02

Type of auditors' report issued on  
compliance for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133 (section .510(a))? Yes – refer to Item 07-01

Identification of major programs:

#### Federal:

Sport Fish Restoration – Katie Woods Boat Ramp Grant – CFDA 15.605

Federal Transit Cluster:

Northeast Transportation Services – CFDA 20.507

Fort Worth Transportation Authority – CFDA 20.500

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee? Yes

## II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

N/A

## III. FINDINGS AND QUESTIONED COSTS RELATED TO THE FEDERAL AWARDS

### *Item 07-01 Reporting*

Program: Sport Fish Restoration – Katie Woods Boat Ramp CFDA 15.605

Criteria: Reports are to be submitted within the time period specified under the grant agreement.

Condition Found: Status reports were due to the Texas Parks and Wildlife Department to convey progress within two weeks after December 31, 2006, March 31, 2007, June 30, 2007 and September 30, 2007. The December 31, 2006, June 30, 2007 and September 30, 2007 reports were submitted on January 26, 2007, August 1, 2007 and November 30, 2007, respectively. Additionally, a letter dated November 19, 2007 was received by the City from the Texas Parks and Wildlife Department indicating that overdue progress reports could result in suspension of outstanding reimbursement requests.

Questioned Costs: Not applicable

Perspective: Of four required progress reports, three were not submitted within the required timeframe.

Effect: Non-compliance with reporting requirements and potential suspension of outstanding reimbursement requests.

Cause: Progress reports were not submitted in a timely manner as pursuant to grant requirements.

Recommendation: Ensure that progress reports are submitted within the required timeframe.

View of Responsible Officials: See Corrective Action Plan

### *Item 07-02 Internal Control over Reimbursement Requests*

Program: Traffic Signal Improvements CFDA 20.205

Criteria: Reimbursement requests are to be submitted correctly and timely to granting agencies.

Condition Found: Reimbursement request documents for this grant have not been filed on a timely basis and were initially prepared incorrectly.

Questioned Costs: Not applicable

Perspective: The grant expenditures to date approximate \$238,000, but reimbursements have been delayed because of late or improperly prepared reimbursement requests.

Effect: Improper reimbursement requests could ultimately jeopardize the receipt of reimbursement from granting agencies.

Cause: Department personnel have not prepared reimbursement requests appropriately.

Recommendation: Ensure that reimbursement requests for all grants are prepared on a timely basis and are prepared correctly. Consider actively working with granting agencies to obtain information on the documentation necessary for appropriate reimbursement request filings.

View of Responsible Officials: See Corrective Action Plan

# CITY OF GRAPEVINE, TEXAS

## SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2007

<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
<b>FEDERAL AWARDS</b>			
U.S. DEPARTMENT OF TRANSPORTATION:			
Northeast Transportation Services	20.507	TX-90-X574-00	\$ 257,383
Fort Worth Transportation Authority	20.500	TX-03-0264-00	78,669
Pass-through the Texas Dept of Transportation Traffic Signal Improvements	20.205	CSJ: 0902-48-480	20,505
U.S. DEPARTMENT OF INTERIOR:			
Pass through the Texas Parks and Wildlife Sport Fish Restoration: Katie's Woods Boat Ramp	15.605		346,261
U.S. DEPARTMENT OF JUSTICE:			
Federally forfeited Property	16.XXX		2,298
U.S. DEPARTMENT OF HOMELAND SECURITY			
Assistance to Firefighters grant program	97.044		5,815
2005 Buffer Zone Protection Program (BZPP)	97.078		44,834
Public Assistance Grants (DR-179)	97.036		252,538
Pass through the Texas Engineering Extension Office			
US &R Task Force- April Sever Weather Deployment	97.XXX		7,643
Flooding Corsicana Standby July 5-7, 2007	97.XXX		6,322
August 14 Deployment	97.XXX		11,574
August 19 Deployment	97.XXX		36,644
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass through the Texas Department of State Health Services CPS/BIO-CHEM Order # 0000313497	93.283	75600054682006	5,000
Total expenditures of federal awards			<u>\$ 1,075,486</u>

See notes to the schedule of expenditures of federal awards.

# **CITY OF GRAPEVINE, TEXAS**

## **NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED SEPTEMBER 30, 2007**

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### **1. BASIS OF ACCOUNTING**

The Supplementary Schedule of Expenditures of Federal Awards (the Schedule) is prepared on the modified accrual basis of accounting. Expenditures are recognized when they are incurred.

### **2. REPORTING ENTITY**

The City of Grapevine, Texas (the City), for purposes of the Supplementary Schedule of Expenditures of Federal Awards includes all the funds of the primary government as defined by the Government Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*.

### **3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Grant expenditures reports for the year ended September 30, 2007, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

# **CITY OF GRAPEVINE, TEXAS**

## **CORRECTIVE ACTION PLAN**

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### ***Item 07-01 Reporting***

Program: Restoration – Katie Woods Boat Ramp CFDA 15.605

Contact Department/Person:

Parks & Recreation Department/Douglas M. Evans, Director

Corrective Action Planned:

All required reports have been submitted with the exception of the final reimbursement. The project is now complete and the final check for the retainage has been sent to the contractor. The final reimbursement was sent to the Texas Parks & Wildlife Department on February 27, 2008.

Also, staff contacted Mr. Tim Hogsett, Chief of the Grants Branch for the Texas Parks & Wildlife Department on February 26, 2008 and discussed the issue of the delayed progress reports with him. Staff explained that construction of the new boat ramp and amenities was halted due to flooding of the lake and no progress was made on construction until the lake receded. Mr. Hogsett said that there would be no suspension of outstanding reimbursement requests due to the late progress reports. Mr. Hogsett also said future consideration of grants will not be jeopardized due to the late reports.

Staff will make sure that progress reports are submitted for future grant projects in a timely manner.

Anticipated Completion Date:

The final reimbursement request was sent to the Texas Parks & Wildlife Department on February 27, 2008.

### ***Item 07-02 Internal Control Over Reimbursement Requests***

Program: Traffic Signal Improvements CFDA 20.205

Contact Department/Person:

Matt Singleton, Director of Public Works

Corrective Action Planned:

It should be noted that the billing criteria by the Texas Department of Transportation ("TXDOT") changed during the grant time period necessitating a resubmittal from the City. This led to a payment delay.

Anticipated Completion Date:

A reasonable period after TXDOT reviews the amended requests.

## **CITY OF GRAPEVINE, TEXAS**

### **STATUS OF PRIOR YEAR FINDINGS**

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There were no findings in the prior year.

